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NEWS SUMMARY

GENERAL

Olympics boycott gains support

The U.S. Olympic Committee appears to be softening its opposition to an American boycott of the Moscow games in the summer.

The committee still intends to poll prospective Olympic athletes before its executive board meets this weekend, but is aware of growing public support for a boycott, shown in two opinion polls.

The Carter Administration is to delay asking Congress to authorise military aid to Pakistan, but says the decision was not due to disagreement between the two countries over the extent of the aid.

Thais free nurse

British nurse Rita Nightingale, 25, jailed for 20 years in Bangkok in 1977 for drugs smuggling, is to be released this week after an appeal for clemency to the King of Thailand.

Bullring tragedy

At least 185 people were killed and hundreds injured when temporary wooden stands erected for a bullfight festival collapsed in Sincelejo, Northern Colombia.

Turner gallery

A donation of £5m has been made by Vivien Duffield, daughter of Sir Charles Clore, to help establish a purpose-built gallery to house the works of Turner, the British artist.

Iran air crash

Iran Air Boeing 727 with 128 people on board crashed in the Elborz mountains north-east of Tehran.

Gales hit UK

Snow and rain with gale force winds swept many parts of Britain. A number of major roads were blocked and speed restrictions were in force on motorways. The 300-ton tanker Regitze Tholstrup was beached by storms in Northern Ireland.

Tito unchanged

The condition of President Tito of Yugoslavia was unchanged after the amputation of his left leg, according to a medical bulletin last night. Page 2

Police remanded

Two Metropolitan Police detective constables accused of corruption were remanded in custody for three days at Bow Street.

Peace woman

Anne Maguire, 34, mother of the three children whose deaths led to the start of the Ulster Peace Movement in 1976, was found dead at her Belfast home. She had knife wounds and police believe she killed herself.

Campaign opens

Campaign for Rhodesia's British supervised majority rule election opened officially when more than 700 candidates were nominated for 80 black seats. Page 3

Briefly . . .

Neo-fascist guerrillas called Spanish Armed Group claimed responsibility for the bombing in a Bilbao bar on Sunday which killed four people.

South Korean military court will today hear appeals by former intelligence chief Kim Jae-Kyu and five other men against death sentences they received for killing President Park Chung-Hee.

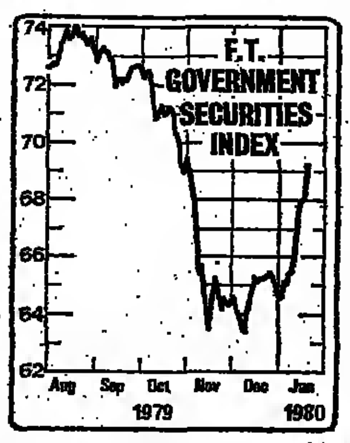
India's Central Bureau of Investigation dropped a corruption charge against Premier Indira Gandhi's son Sanjay, saying there was not enough evidence.

More than 5,000 South-east Asians were granted political asylum in Britain last year.

BUSINESS

Gilts up on strong demand; £ firm

● GILTS attracted buying by foreign and domestic investors, undeterred by the new tap offering. Gains were particularly noticeable among long-



dated stocks, but shorts rose about ¼. The FT Government Securities index gained 0.73 to 69.26.

● EQUITIES were hit by profit-taking after last week's advance and despite institutional inquiries succumbed to a bear squeeze. The FT 30-share index closed 2.1 lower at 457.7 and the Gold Mines index lost 7.9 at 352.5.

● STERLING rose reflecting interest in gilts and its index climbed to 72.3 (71.9)—the highest since last August. But against the dollar it fell to $2.2840 ($2.2855) following strong support for U.S. currency.

● DOLLAR rose to DM 1.7295 (DM 1.7235) and SwFr 1.6015 (SwFr 1.5910). Its index advanced to 84.8 (84.7).

● GOLD fell $10 to $825 in London.

● WALL STREET was up 5.38 at 872.53 shortly before the close.

● INDUSTRY'S financial position deteriorated significantly in 1979 and may worsen further this year, official statistics indicate. Back Page

● CAR OUTPUT in the UK is likely to fall about 13.5 per cent this year from 1979's 1.1m to 950,000, the lowest figure since 1957, an Economist Intelligence Unit survey predicts. Page 6

● SWITZERLAND'S trade gap in 1979 reached SwFr 4.7bn (£1.3bn) which was nine times the 1978 deficit of SwFr 520.4m (£144m) and the highest since 1974. Page 4

● SWEDISH aircraft industry stands to receive up to SKr 675m (£71.4m) in State support to enable it to switch from military to civil aircraft. Page 2

● ANTHONY SOLOMON, the U.S. Treasury under-secretary for monetary affairs, has been appointed president of the Federal Reserve Bank of New York.

COMPANIES

● ALEXANDERS DISCOUNT Company suffered a loss of £250,000 for 1979 against 1978 profits of £200,000, due mainly to higher interest rates. Page 16 and Lex Back Page

● GIEVES GROUP, the tailor, publisher and motor dealer, is selling its James Burn Bindings subsidiary to Standex International for £3.66m. Page 17

● BANK OF AMERICA reports a small rise in profits for the final 1979 quarter. Income before securities transactions was $158m (£69m) up 7.8 per cent on the 1978 quarter. Page 20

● AUSTRALIAN Paper Manufacturers increased interim earnings 88.7 per cent in the half year to last December 31 from A$10.5m (£5.14m) to A$18.9m (£9.26m). Page 21

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES		
Excheq. 14% 1984	£98⅞	+ ⅞
Treas. 15¼% 1996	£112	+ 1⅞
Alcan Aluminium	106	+ 10
Alexanders Discount	212	+ 7
Appleyard	71	+ 9
Bakers Household Stores	107	+ 4
British Commnwlth.	312	+ 8
Elliott (B.)	230	+ 8
European Ferries	107½	+ 6½
Gieves	100	+ 16
Henlys	94	+ 4
Horizon	233	+ 13
Johnson Matthey	283	+ 13
Lloyds Bank	316	+ 6
Pleasurama	175	+ 16
Redland	171	+ 11
Slough Estates	116	+ 4
Sotheby's	425	+ 15
United Scientific	398	+ 6
Aran Energy	346	+ 24
Weeks Petroleum	410	+ 40
Bertram Cons.	56	+ 8
Bougainville	173	+ 10
Lennard Oil	98	+ 8
Messina	190	+ 15
Metals Exploration	67	+ 8
MIM Holdings	304	+ 19
Mount Lyell	112	+ 12
RTZ	410	+ 18
Samantha	63	+ 10
Swan Resources	62	+ 7
Vogels	125	+ 8
Whim Creek	90	+ 10
FALLS		
Kitchen Queen	24	− 3
Muirhead	228	− 8
National Carbonising	129	− 8
Saga Holidays	196	− 10
Randfontein Estates	£31	− 1¾
South African Land	360	− 26
Western Deep	£19⅝	− 1⅜

Farmers seek 11% increase in EEC agriculture budget

BY JOHN WYLES IN BRUSSELS

Europe's farmers have raised the temperature in the intensifying battle over the EEC agricultural budget by lodging a claim for substantial farm price increases, despite growing pressure to curb farm spending.

The Committee of Agricultural Organisations in the European Community, which represents 23 farm groups and 5m farmers, has set out general though rather defensive arguments for of a 7.9 per cent increase in common farm prices for the 1980-1981 marketing year.

If fully implemented this would add about £730m, close to 11 per cent, to last year's farm budget of nearly £7bn because of the "knock-on" effects of funding product surpluses.

Agricultural spending consumes about 75 per cent of the total EEC budget at present.

The agricultural organisations committee's demands are well above increases being considered by the European Commission's agricultural officials.

Mr. Finn Olav Gundelach, the Agriculture Commissioner, is thought to be preparing a proposal for 2-3 per cent increases for discussion by the Commission at the end of the month.

But his officials are still arguing whether to propose within that framework a freeze on prices of dairy products, which account for 40 per cent of the agricultural budget and give rise to the most costly production surpluses.

Mr. Peter Walker, the Minister of Agriculture, said in Brussels yesterday that the farmer's demands were "not on." Britain favoured a freeze on prices "for goods in surplus."

But when the EEC Agriculture Ministers starts discussing new farm prices next month, the British approach may well be challenged by France and West Germany in a move to recover some of the increases in their dairy farmers' costs.

Their discussion will be closely followed by leaders of the European Parliament, which rejected the Council of Ministers' 1980 budget proposals because they did not do enough to curb farm spending and to switch resources to other sectors.

Many Euro MPs will look for a modest farm price settlement and measures to curb costly surpluses before they agree on a budget draft for 1980.

In the statement of their case the farmers say that after deduction of 1.5 per cent a year "to take account of productivity improvements" a 7.9 per cent increase in farm prices is necessary for the coming marketing year.

They remain strongly opposed to dismantling of monetary compensatory amounts, which they say would lead to "a reduction in farm prices in nominal terms, and affect farmers' incomes adversely."

The farmers' calculations are based on increases in costs in the last three marketing years after taking into account price rises in the last two farm price reviews.

They claim that only in France have farmers' incomes increased in real terms in the period, and that a 7.9 per cent increase is the minimum necessary to bring farm wages up to other earnings levels.

UK farmers, for example, say that in 1979 their incomes fell by 16 per cent over 1978 in real terms.

● After the meting of EEC Agriculture Ministers Mr. Walker said last night that he believed that Mr. Gundelach would seek approval of his fellow Commissioners to apply to the European Court of Justice for an interim injunction against France.

This would happen, if, as expected, France did not lift restrictions on British lamb imports by the end of the week.

French view of farm budget, Page 23

New hint of curbs on public sector borrowing

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

A CLEAR indication that public sector borrowing will be held down in the coming financial year was given yesterday by Mr. Nigel Lawson, the Financial Secretary to the Treasury.

In a speech to a Financial Times conference in London, Mr. Lawson implied that borrowing would be held at roughly its current proportion of Gross Domestic Product in 1980-81. He did not say what this would mean in money terms; depending on what base is used this suggests a ceiling of between £9bn and £10bn.

This compares with an official estimate for the current financial year of £8.3bn and a probable outcome of £9bn. Projections both inside and outside Whitehall indicate that unless present fiscal policies are changed in the Budget, borrowing might rise to between £10.5bn and £11bn in 1980-81.

These estimates are extremely tentative but they underline the determination of Treasury Ministers to secure public spending cuts of well over £1bn.

Mr. Lawson stressed the Government's view that public sector borrowing was too large and that a central objective was "to achieve a downward trend in borrowing as a percentage of Gross Domestic Product in the medium-term."

In the short-term he noted the frequently argued point that borrowing tends and should be allowed to fluctuate with the economic cycle. "It is true that in a recession it will tend to increase through diminished tax receipts and increased social security benefits, other things being equal."

But he added, it was necessary "to see this against the background of the secular downward trend to which the Government is committed.

"Taken together the cycle and the medium-term trend might be expected to produce a 'stepped' public sector borrowing profile, with borrowing not changing much as a proportion of Gross Domestic Product in recession years, but falling fairly sharply in non-recession years."

These comments came during one of the most detailed ministerial discussions so far of how the Government believes fiscal and monetary influences work in the economy. In particular, Mr. Lawson stressed the dangers of increasing borrowing or deliberately easing the monetary target.

Mr. Lawson's comments are likely to be seen as a bullish factor by the already strong gilt-edged market. There were further big price rises yesterday and it looks likely that at last one of the two new stocks on offer tomorrow will be fully-subscribed unless there is a sudden reverse. This follows gilt sales of almost £1.5bn earlier this month.

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Editorial comment Page 14

U.S. bid for Bowring goes ahead

BY JOHN MOORE AND DAVID LASCELLES

MARSH AND McLENNAN of the U.S., the world's largest insurance broker, is going ahead with a bid, now worth £237m, for C. T. Bowring, the British insurance broker with banking, credit finance and large Lloyd's of London interests.

Bowring has indicated intense hostility to any approach by Marsh and stated on January 14 that the terms were "inadequate."

Last night Bowring said: "The drop in the Marsh and McLennan share price, coupled with the strength of the pound since that time means the offer is worth even less."

Marsh's offer, a mixture of its own shares and cash, was worth £245m when it was announced at the beginning of this month. But the movements in Marsh's share price and exchange rates have reduced it to £237m.

The offer places a value of more than 163p on each Bowring share.

Marsh has reached an understanding with Lloyd's about the controversial 20 per cent ruling. The rule stipulates that insurance interests outside its market could not normally hold more than 20 per cent of an approved Lloyd's broker.

If applied rigorously, the Lloyd's ruling could have upset the Americans' planned takeover attempt.

Now Lloyd's is to give Marsh nine months to comply with the 20 per cent ruling. Lloyd's has already said that it may modify, even abandon the 20 per cent ruling in April.

Meanwhile Lloyd's is allowing the American group to take its holding to 25 per cent in the Lloyd's broking operations of Bowring as another concession.

Under the existing Lloyd's arrangements, the remaining 75 per cent would have to be placed in friendly hands approved by Lloyd's committee.

Marsh and McLennan has yet to satisfy the Office of Fair Trading on the deal. The OFT has power to recommend to the Department of Trade whether any bid should be referred to the Monopolies and Mergers Commission.

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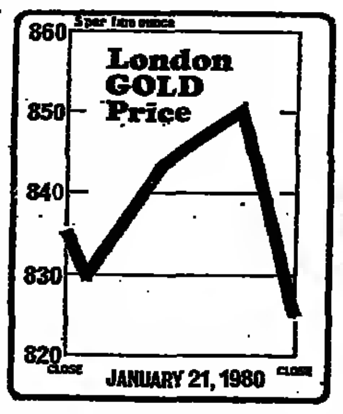

Gold and silver fall back

By David Marsh and John Edwards

GOLD and silver prices fell yesterday in London following moves in the U.S. and West Germany to dampen speculation.

Gold closed at $825 an ounce, $10 down on Friday's price and $30 below the record $855 reached earlier in the day. Silver also lost ground after rising to £21.374 an ounce at the morning fixing. It fell to below £20.90 in the afternoon.

After the London market closed it was confirmed that the Commodity Exchange in New York has confined trading on its silver futures market to "liquidation" orders only; in other words no new purchases or sales are permitted.

The decision, announced after trading had been suspended for most of the day, is aimed at preventing a small group of powerful speculators from cornering the market by acquiring the bulk of available supplies. At the same time the Commodity Exchange sharply increased the deposits required to deal in the market.

The West German authorities also moved yesterday. From February 1 trading positions in gold and precious metals will be included in the rules applied to German banks limiting their exposure to foreign currency risk.

The Federal Banking supervisory office will insist that the Deutschemark value of each bank's gold and precious metal trading positions and its foreign currency positions must not exceed 30 per cent of shareholders' funds.

Farming and raw materials Page 23

£ in New York

—	Jan. 18	Previous
Spot	$2.2830-2850	$2.2765-2775
1 month	0.70-0.65 dis	0.68-0.63 dis
3 months	1.67-1.62 dis	1.50-1.45 dis
12 months	3.75-3.65 dis	3.35-3.25 dis

ACAS moves could break steel deadlock

BY CHRISTIAN TYLER, LABOUR EDITOR

THE TWO sides in the steel strike could both be at the Advisory, Conciliation and Arbitration Service by the end of the week. If the British Steel Corporation—which contacted ACAS yesterday—indicates it is ready to change its pay offer, the two could even come face to face by Friday.

Mrs. Margaret Thatcher listened to both sides of the argument at Number 10 Downing Street yesterday. The Prime Minister's attentiveness—in listening to the unions' case in particular—appears to have eased the tension somewhat. But, flanked by the Ministers most closely involved, she made it clear that the dispute had to be settled by negotiations between the parties themselves.

The Iron and Steel Trades Confederation said it was ready to respond to the first glimmer of a sign that BSC is shifting. It appeared yesterday that BSC is coming under some behind-the-scenes pressure to loosen the conditions attached to its pay offer.

Strike solid

But publicly, the corporation repeated that it could not give up its basic position—that any wage rise must be financed by a cutback in jobs and more efficient working.

There was no sign of the 100,000 strikers weakening in the battle to secure a cost of living rise with as few strings as possible.

In Scotland, flying pickets were sent to Aberdeen to block the supply of steel to offshore oil rigs and platforms. Picketing of on-shore manufacturers is to be stepped up.

About 400 pickets descended on BSC's Stanton works at Ilkeston, Derbyshire, prompting the company to warn that its entire 4,000 workforce could be laid off this week.

Private steel producers again warned of many job losses and some closures if its employees in the ISTC join the strike, as threatened, next week.

Meanwhile, pressure was building up in South Wales against the separate but related question of coking coal imports and BSC's planned works closures there. The Wales TUC predicted that 200,000 workers would join the one-day strike planned for next Monday.

With the Ministerial involvement now concluded, an invitation could go out today from ACAS to BSC. On the union side, general secretaries of the principal unions involved in the strike are expected to meet in the next day or two. This could clear the way for discussions with the ACAS chief conciliation officials.

The union co-ordinating committee comprises Mr. Len Murray, TUC general secretary, Mr. Bill Sirs of the ISTC, Mr. Hector Smith of the Blastfurnacemen, Mr. Leo Hancock of the Boilermakers (representing craft unions), Mr. Moss Evans of the Transport Workers and Mr. David Basnett of the General and Municipal Workers.

Those closest to the dispute were yesterday anxious to dismiss false hopes that a solution to the dispute is within grasp.

Mr. Sirs said after meeting the Prime Minister that unless BSC came up with some money "it is our job to prosecute this strike with its utmost intensity." But he declared himself pleased with the audience, and added that Mrs. Thatcher had learned something new.

"My expectation from that would be that their approach to the ACAS conciliation will be rather different from now on."

One union leader said that although Mrs. Thatcher appeared well briefed, she had "looked aghast" when told by the BSC wanted 50,000 more jobs to be cut as early as August this year.

Sir Charles Villiers, BSC chairman, said after his interview: "There is no new money available and there will be no switching of the £450m of Government money next year. What we have to do is to stay working with ACAS."

No switch

The Prime Minister reassured BSC that she had no intention of getting involved in the negotiations. Sir Keith Joseph reaffirmed to both sides that there was no question of switching part of that £450m, allocated for investment, redundancies and working capital, into wages.

Mr. Sandy Feather, staff officer of the ISTC, who also went to Number 10, said last night that the union was not asking the Government for more money, only that more should be laid out for wages and less for closures.

If the unions succeeded in preventing or modifying the proposed closures, BSC could use the money that would have gone on redundancy pay to increase the steelworkers' incentive to achieve higher output and increase its share of the market.

Strike effects Page 5
Labour news Page 7

Differences in performance threaten EEC

BY JOHN WYLES IN BRUSSELS

A WARNING that economic and industrial differences between EEC members have now reached the point where they could bring the breakdown of the Community has been delivered by a group of experts charged with studying developments since the 1973 oil crisis.

The report highlights the emergence of two speeds of adaptation to the economic and industrial problems which have beset Western Europe since 1973. West Germany is out in front in coping with the impact of recent economic problems, says the report, followed by the Netherlands, Belgium and Denmark.

Italy and the UK bring up the rear, while France sits somewhere in between, winning high marks for progress in high technology centres and for maintaining overall investment rates in difficult circumstances. But the general economic environment puts a question mark against France's ability to sustain its industrialisation and keep up with the high fliers, the report observes.

Ordered by the European Commission which is not, however, necessarily endorsing its conclusions, the report has been written by a group of independent economists from each of the nine member states under the chairmanship of M. R. Maldague, head of Belgium's Bureau du Plan.

Broadly, the authors find that membership of the European currency "snake" — the forerunner of the European monetary system which was created a year ago—was an important factor in relative performances between 1973 and 1978.

They argue that currency discipline has forced West Germany, Belgium, the Netherlands, and Denmark to maintain or improve their competitiveness in domestic and international markets through above average productivity gains, albeit at the expense of employment.

West German industry is said to be well ahead of its Community partners thanks to modest increases in internal production costs and a concentration on specialised products with a high technology input, requiring highly qualified labour.

Progress in Belgium, the Netherlands and Denmark has been less marked but, again, above average productivity gains have helped offset specific sectoral problems. But Belgium has suffered through its dependence on steel and textiles, while the Netherlands has lacked sufficient strength in equipment goods and cars—industries least affected by post-1973 problems.

The difficulties of Italy and the UK were obviously uppermost in the group's thinking when they warned that widening differences of performance may not only hamper the EEC's progress but may even lead to a breakdown "as rates of development in the Community grow wider apart."

On the macro-economic level, the report says that both Italy and the UK have suffered similar problems of very low rates of investment, rapidly rising costs and deteriorating currency values. Italy's concentration on activities which are less capital and more labour intensive than those of many of its partners has left it vulnerable to competition from low wage countries, the report warns.

It highlights the decline of the UK's manufacturing sector and the steady growth of service industries. Chemicals and data processing are identified as two of the stronger performing industries, but the report points out that British industry was declining when the 1973 crisis began and this reduced its capacity to adapt to subsequent events.

Opportunities offered by the depreciation of sterling during the 1970s have been missed. Both North Sea oil and its contribution to the balance of payments allows a breathing space to restructure industrial production.

State aid plan for Sweden's air industry

By William Dullforce in Stockholm

THE SWEDISH aircraft industry stands to receive up to SKr 675m (£71.4m) in state support to enable it to switch from military to civil production. This recommendation was made yesterday in the report from a special team appointed to study ways of preserving the industry's research and development capacity.

State backing could enable Saab-Scania to clinch an agreement with Fairchild of the U.S. for the joint development of a 30-seat feeder aircraft. Volvo Flygmotor, the aero-engine subsidiary of the Volvo group, could also finalise plans for co-operating with Garrett Corporation, another U.S. company, in developing jet and turboprop engines for business aircraft.

Volvo Flygmotor, which makes the engines under U.S. licences for the aircraft built by Saab for the Swedish air force, has already received a SKr 138m loan from the Government for a joint engine project with General Electric. The company is negotiating with other aero-engine makers on a third project.

The team was set up last year when government refusal to go ahead with a new light attack aircraft for the air force put in jeopardy some 1,700 jobs in Saab's design division and a smaller number in Volvo Flygmotor.

Earlier this month, the air force commander asked the Government to order a cheaper trainer/attack model, known as the SK2, which Saab has since submitted. But this contract would not be enough for Saab to keep its development staff intact.

After analysing other alternatives in the energy and transport fields, the team concludes that the Swedish manufacturers should concentrate on conversion to civil aircraft and space equipment. But, it stresses, civil aircraft production calls for a totally different marketing strategy and must be effected in co-operation with foreign companies.

The SKr 675m support package would be conditional on "commercially acceptable agreements" emerging from current negotiations. The team estimates that state finance could help to maintain 750 jobs in the industry's development divisions in 1982.

Saab has been working on a design for a twin turbo-prop feeder airliner, designated the Transporter. Originally planned as a work horse for use in developing countries, the project is now aimed at the market for short-haul commuter aircraft which the company calculates will amount over the next decade to some 2,400 aircraft, mostly within the U.S.

This project is solidly endorsed in the team's report, which is reserved about several of the other suggestions put forward by the industry. Saab hopes to reach a development agreement with Fairchild in the near future.

Mr. Sten Gustafsson, Saab-Scania's managing director, welcomed the delegation report yesterday. He stressed that the Government finance proposed was in line with schemes operated in other West European countries.

THE SINN FEIN CONFERENCE

Mr. Rory O'Brady addresses the conference.

Old guard face the 'Belfast lefties'

BY STEWART DALBY IN DUBLIN

INDICATIONS that Provisional Sinn Fein—the political wing of the Provisional Irish Republican Army (IRA) is developing a Socialist strain emerged last weekend at its annual conference in Dublin.

At the meeting, Mr. Rory O'Brady, the Sinn Fein President, proclaimed old-fashioned republicanism and announced that the armed struggle against the British in Northern Ireland must continue. But Mr. Jerry Adams, a leading activist from Belfast, said that only a political solution could solve Ulster's problems.

To say that the party has profound ideological splits would be putting it too strongly. Nevertheless, there have been signs which again surfaced at the conference that there are differences between the old guard of the Southern based leaders like Mr. O'Brady and Mr. David O'Connell, the Vice-President on the one hand and Mr. Adams, another vice-president, on the other hand.

In particular there have been persistent allegations, some of them emanating from the Northern Ireland Office and the British Army that the younger Northern Ireland based leaders, so called "Belfast lefties" which would include Gerry Adams, are trying to turn the Provisionals into a Marxist organisation. The argument runs that it would then become as much a threat to the Government in Dublin as to stability in the North.

The Provisional IRA and Sinn Fein started life in 1969. Before then there was just one IRA and one Sinn Fein, which was in direct linear descent from the organisation founded by Arthur Griffiths in the late 19th century and of the martyrs of the 1916 uprising. When the troubles erupted in the North in 1969, the IRA was under the influence of men like Mr. Cathal Goulding, who advocated the vaguely Socialist policy for Northern Ireland should sort out its own problems first and that the Irish dimension should be put on the back burner.

The Provos split off and tried to defend the Catholic community in Northern Ireland against what then seemed like rampaging Protestant mobs. Later they were militarily to transform themselves from a defensive force to one of offence.

Politically the Provisional IRA and the Sinn Fein remained Republican with reunification of the two parts of Ireland as its prime object. However, with the reorganisation of the Provisional IRA and the development of alleged links with Basque and Palestinian guerrilla groups, word began to circulate that the Provisionals had become Marxist and further that their means of violent revolution had supplanted their ends of reunification.

Tito still in critical condition

By Aleksandar Lebl in Belgrade

DOCTORS TREATING 87-year-old President Tito, of Yugoslavia, said yesterday that he spent a quiet night after the amputation of his left leg on Sunday. His general state of health remains good, according to the bulletin issued by the eight man medical team, which warned, however, that his condition would be critical for three days. Some uncertainty about the chances of a full recovery would remain for three weeks.

Whatever the final outcome, the past two weeks have provided the occasion for a full-scale dress rehearsal of the procedure to be followed in the event of the President's death or incapacity.

Meanwhile, the authorities have moved fast to discount suggestions that the $7bn held by Yugoslavia nationals in special hard currency accounts in Yugoslav banks is about to be converted into dinars. The federal Government categorically denied any such intention and has backed this up by giving additional privileges to foreign exchange account holders. These provide easier access to building materials, cars, white goods, flats and other scarce items.

The central bank provides high interest rates and other incentives for Yugoslav workers abroad, in particular, to repatriate their savings and so help ease Yugoslavia's foreign currency shortage. Statistics for 1979, just released, show that Yugoslavia had a $6.3bn trade deficit last year and an overall balance of payments deficit of around $3bn.

Retail price inflation rose by 22 per cent while the gross national income rose 7 per cent thanks to an 8 per cent rise in industrial production and a 6 per cent increase in agricultural output. Employment rose by 4.4 per cent last year but productivity rose only 2.3 per cent, while investment was 7.3 per cent.

The Comecon countries took 41 per cent of Yugoslav exports and accounted for 28 per cent of imports last year. Exports to the industrialised West were 42 per cent of the total and imports 58 per cent.

Michelin bonus sparks fears in Italy

BY RUPERT CORNWELL IN ROME

MICHELIN, THE French tyre group, has stirred up a hornets nest here by making an unprecedented tax-free bonus of L250,000 (£135) per head to the 14,000 men it employs at five plants in northern Italy.

Excluded from the largesse are only about 500 men, accused by the Michelin management of chronic absenteeism. For the rest, it is a windfall but one which has roused deep resentment and suspicion among industrialists and unions in Italy.

The company has been typically silent about its motives. Letters sent to employees with the payment described it as an "exceptional gift," made on a "personal basis" at a time of general difficulty.

However, it comes just as the Italian chemical unions are getting down to negotiating a new wage contract, and as the country's 1.5m metalworkers, into whose province Michelin partly falls, are working out the details of the company-by-company claims to supplement the national agreement reached last summer after six months of tough bargaining.

They believe that the gift is an attempt to buy labour peace at Michelin in Italy, should the talks prove very difficult. The total cost to the company, including prepaid tax, is put at about L5bn (£2.7m).

In more general terms, the move is taken as evidence of Michelin's taste for paternalistic management methods, and of a studied indifference to the usual methods of negotiating with organised labour, in France and elsewhere.

Eually annoyed, after their initial astonishment at Michelin's behaviour, is Italian industry, including Pirelli and CEAT, both direct tyre competitors of the French group, and whose Italian wage levels are much the same. The companies fear that Michelin's decision to break ranks could lead to demands from their workforces to make a similar gesture at a time of great pressure on their finances.

Many economists, moreover, are arguing that the payment could not have come at a worse time, when the Government is doing what it can to hold down wage increases, or at least see that they are linked to productivity improvements.

Steel production down 24m tonnes last year

BY PAUL BETTS IN ROME

ITALIAN STEEL production dropped last year by 24m tonnes, 1 per cent down on 1978, according to figures published by Assider, the association of Italian Steel Manufacturers. Italy is the second largest producer of steel in the European Community after West Germany.

Assider's provisional figures also show a marked increase in Italian steel imports at 7.4m tonnes, or 35 per cent more than in 1978.

The decline in Italian steel production is in sharp contrast with other main European steel-producing countries. Indeed, overall steel production in European Community member countries increased by 5.6 per cent to 140m tonnes last year, Assider said.

Moreover, there was also a small decline in Italian pig iron production of 0.1 per cent to 11.39m tonnes last year.

The drop in steel production largely reflects prolonged labour unrest in the Italian steel sector during the renewal of the Engineering and Metalworkers Union national labour contract.

In the case of Italsider, the state steel group and Italy's largest single manufacturer, labour friction cost the company some 750,000 tonnes of steel production last year.

However, since agreement with the unions was reached, steel production in Italy has been picking up and production last month increased by 6.3 per cent to 2m tonnes compared to December, 1978.

Rupert Cornwell adds: Italy's official reserves dropped last November by L637bn (£348m). According to provisional statistics from the Bank of Italy this was due to a fall in convertible currency holdings in a month which saw intermittent pressure on the lira.

The monthly decline, the first since July 1979, reduces Italy's gold and currency reserves to L30,828bn. The convertible foreign currency component was down by L692bn to L8,196bn.

The month showed no change in the Central Banks gold holdings, reckoned to be around 82m ounces, the fourth largest of any Western country. In November these were valued at L16,089bn, but are set to rise very sharply when the Bank of Italy makes its next three-monthly adjustment, to take account of the enormous jump in the gold price since then.

An overall balance of payments deficit of L415bn was also reported in November, according to provisional Bank of Italy figures published yesterday. In November 1978 Italy reported a surplus of L386bn.

In the first eleven months of last year Italy's overall balance of payments showed a surplus of L 4,854bn, considerably less than the surplus of L5,840bn during the same period of 1978.

The Bank of Italy also reported that its external position deteriorated during November by L289bn.

Danes seek new oil lease terms

By Hilary Barnes in Copenhagen

THE DANISH Government is trying to alter the terms of the concession for oil and gas exploration in the Danish sector of the North Sea, which is held exclusively by shipping and industrial company A. P. Moeller.

Mr. Poul Nielson, the Energy Minister, has confirmed that the Government will be opening negotiations with the company which has exercised the oil exploration rights since 1962 through a consortium it formed with Shell, Chevron and Texaco.

The Government wants the rate of exploration stepped up. It may also want to change the terms of a 1976 agreement by which the consortium is to hand back 10 per cent of its concession area in 1981 and a further 10 per cent in each of the succeeding five years. A. P. Moeller's concession was awarded in 1962 for 50 years.

Other issues for re-negotiation are likely to be hard and fast agreements for the delivery of all oil to Danish refineries, and the construction of a pipeline from the North Sea to the refineries.

Paris and Algiers strengthen ties

BY TERRY DODSWORTH IN PARIS

FRANCE AND Algeria are aiming to consolidate the improvements in relations arising out of last week's visit to Paris of Mr. Mohamed Benyabia, the Algerian Foreign Minister, by setting up a number of working parties to examine contentious issues between the two countries.

These committees will deal with a range of questions, including economic and fiscal issues, and the property and activities of the French in Algeria.

The most important, however, will study the tricky problem of Algerians working in France, whose position has come under a new cloud since the recent tightening of controls on immigrants.

The Algerians have made it clear that they expect concessions from the French on this issue if the present thaw in relations is to continue. Although Algerians, whose permits were due to expire at the beginning of this year, were given a further 12 months' extension, the Algerian Government would like to see further guarantees for the 800,000 Algerians living in France and more help with resettlement.

It has become clear during the talks that the quarrel about French support for Morocco and Mauritania in their conflict with the Algerian-backed Polisario over the former Spanish colony of Western Sahara, has now been largely buried. The friction between Paris and Algiers has declined since the coup d'etat in Mauretania and the Polisario's ceasefire.

Because of these developments, both countries have been more willing to turn to international issues and the question of stabilising the political situation in the Mediterranean area. The French are evidently looking for Algerian support for President Giscard d'Estaing's plans for developing a dialogue between Europe, Africa and the Arab world.

Shops shut in Greek protest

By Our Athens Correspondent

GREECE'S 500,000 shops were closed yesterday and 35,000 bank workers have been on strike since last Thursday in protest at new Government measures to control inflation and a soaring trade deficit.

Importers now have to prepay 75 per cent of the cif (cost insured freight) value of their goods, and profit limits have been set for wholesalers and retailers. A 25 per cent luxury goods tax has also been imposed.

The bank strike is against a Government decision altering working hours and also to hack demands for heiter pay.

Soares triumphant after Socialist heart-searching

BY JIMMY BURNS IN LISBON

PORTUGAL'S main opposition grouping, the Socialist party, has emerged from an internal crisis to confirm Dr. Mario Soares as undisputed leader. It also intends to base future strategy on a more pragmatic middle-ground course, clearly distanced from the Communists.

A weekend meeting of the party's main representative body, the 150-man national commission, rejected outright a proposal to hold an extraordinary congress. The congress would have satisfied a section of the party's rank and file which wishes to make the leadership more accountable.

The commission also voted for a reshuffle of the 15-man secretariat, the party's main executive arm. Three prominent left-wingers, Sr. Jaime Gama, Sr. Manuel Alegre and Sr Tito de Morais, have been removed, leaving the party leadership firmly in the hands of Dr. Soares and a moderate faction.

The Socialists have been locked in heart-searching debate since their humiliating defeat in both national and local elections last month.

The results led to a unanimous conclusion that the fault lay with the party's lack of definition. What divided both the leadership and the rank and file was how the party should define itself in future.

Dr. Soares strenuously denied yesterday that there was any schism. Yet the weekend's purge has effectively put an end to his preferred image of the party as a grouping that can accommodate wide differences of opinion.

Poll has focused new attention on Gibraltar, reports **Robert Graham**

Signs of motion around the Rock

AN ELECTION campaign in Gibraltar has brought the future of the Rock into focus. All four contesting parties seem to recognise the need to clarify the Rock's status.

Talks between Britain and Spain, begun more than two years ago, have stagnated but both sides see the need for a new impetus.

In an important statement to the Senate last December, Sr. Marcelino Oreja, the Spanish Foreign Minister, called for new negotiations "to put an end to this absurd anachronism." The time had come, he said, to end sterile confrontations and look toward a new future that respected both British, Gibraltarian and Spanish interests.

At the time, the Gibraltar question was put under the microscope at a conference in Segovia attended by more than 60 political figures and academics from Britain, Gibraltar and Spain. Though "unofficial" the meeting had the blessing of the respective governments and was the first ever such encounter.

Taken together, these two events are encouraging signs. Gibraltar is such an intractable issue that any movement, no matter how slight, must be considered progress. Sr. Oreja did not define how he thought meaningful discussions could resume, nor did he make any significant concession.

The most important aspect of Sr. Oreja's declaration was the demonstration of a political will to negotiate coupled with a recognition of the changing context of the Gibraltar issue.

The last attempt to negotiate the future of Gibraltar was begun in autumn 1977 with meetings between Sr. Oreja and Dr. David Owen, the then British Foreign Secretary. This

The devolution policy has finally given Madrid the context in which to frame any integration of Gibraltar

led to the establishment of three working committees to study how to approach such issues as pensions of Spanish workers formerly employed on the Rock, and communications. It also led to the re-opening by Spain of telephone communications with the mainland.

Although Gibraltarians were brought into the discussions for the first time, no real progress was made. The talks foundered on British insistence that nothing could be negotiated until Spain removed the restrictions imposed unilaterally in 1969—the most important being the closure of the land frontier at La Linea. Formally at least this is where maters still stand.

Sr. Oreja and Lord Carrington, the new British Foreign Secretary, met at the UN in September but nothing was set in motion then largely because the latter was totally committed to the Rhodesia talks.

The circumstances have changed essentially in three ways. Firstly, inside Spain the devolution of authority to autonomous regions, starting with the Basque country and Catalonia, has finally given the Spanish Government a context in which to frame any eventual integration of Gibraltar.

Secondly, Spain has applied to join the European Community and the persistence of the dispute between Britain and Spain over Gibraltar threatens to complicate Spanish entry. Although the Spanish refuse to accept that the closure of the frontier and the restrictions applied to Gibraltar are against the Treaty of Rome, the British and Gibraltarians certainly believe they are.

Thirdly, there is the question of Spanish membership of NATO. Spain's bilateral defence treaty with the U.S. expires in 1981 and Washington would prefer to see any new defence arrangement within the NATO context.

This means that, in the case of the EEC, definite pressure exists to reach a solution, while membership of NATO, if Spain chooses to join provides a form of flexibility to accommodate a British military presence on the rock. Until now, such flexibility has not existed nor has there been any satisfactory internal Spanish framework to absorb the legitimate interests of the Gibraltarians.

For that matter there has been no real pressure either. Britain has felt only irritated, not put under pressure, by the annual UN resolutions calling for an end to British colonial rule of the Rock. One of the reasons why no solution has been achieved could be that neither side has had an overriding concern to settle.

Yet if Sr. Oreja has sounded an optimistic note about the future, the Segovia meeting underlined the pitfalls ahead. Clearly there is a desire to establish a dialogue yet the dialogue remains one of the deaf.

For instance, on the Spanish side, from the mayors of La Linea and San Roque (the men heading the Spanish communities most directly affected by the confrontation) to academics and politicians, all regard Gibraltar as a dangerous nuclear base. None of the British participants successfully reassured the Spanish on this issue, even though it appears the belief is unfounded.

Sr. Oreja himself, in his Senate statement, talked of Gibraltar being a direct threat "to Spain and its 36m inhabitants" as a British military base—hardly the language to use with future partners in the EEC.

The second misunderstanding was a fundamental Spanish belief that Gibraltar was of great strategic significance to Britain and that the British intended to hang on to Gibraltar as long as it could.

The frequent statements over the years by British ministers that they can do nothing on the future status of the Rock that would be against the democratic wishes of the Gibraltarians are still not taken at face value, but rather as a smokescreen to conceal darker colonial intentions.

Thirdly, the Spanish still have little conception of the feeling among Gibraltarians towards Spain as a result of the closure of the frontier. The bankruptcy of this policy which has kindled a hitherto scarcely identifiable Gibraltarian esprit de corps and which, incidentally, put many Spaniards out of work, is not recognised by Spain.

The British for their part tend to underestimate the extent of Spanish feeling on Gibraltar and this is likely to be put to the test again when the two sides re-examine the situation after the election.

Trevor Humphries

The Rock of Gibraltar: political parties see need to clarify its status.

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Alain Cass, recently on the Thailand-Kampuchea border, reports on first attempts to resolve the plight of the Kampucheans

Glimmer of hope for the rescue of a ravaged nation

HAIRLINE CRACKS have appeared in the deadlock over the fate of Kampuchea and its destitute people.

For the first time since Vietnamese forces overran Pnom Penh a year ago, installing the régime of Heng Samrin, garrisoned the countryside and settled down to a war of attrition against tha remnants of the Khmer Ronge forces, there are signs of movement.

A recent visit to Hanoi by Mr. Tunku Ahmad Rithauddin, Malaysia's Foreign Minister, was a significant departure from the sterile politics of propaganda and confrontation.

Mr. Rithauddin was despatched hy the Association of South East Asian nations (ASEAN)—consisting of Thailand, Singapore, Indonesia, Malaysia and the Philippines—in response to the first collective statement of policy by the Soviet-backed governments of Indochina.

In their first joint communique since 1975, Vietnam, Kampuchea and Laos called on Burma and the ASEAN countries to sign bilateral non-aggression treaties and to discuss the establishment of a region of "peace, independence, fredeom, neutrality, stability and prosperity."

Nothing concrete emerged from the talks, if only because the move was seen as a transparent attempt to exploit the latent divisions within ASEAN over the oue issue which dominates the area: whether Vietnamese hegemony and Soviet influence are a lessar evil in tha long run than the apreading shadows of reawakened Chinese nationalism.

But even an agreement to disagree is an achievement at this stage — particularly if, as seems possible though hy no meana certain, the prospects are receding of a major Vietnamese military offensive against the guerrilla army of Pol Pot, the deposed Kampuchean leader, before this year's summer monsoon.

If this major offensive has been shelved, then the Vietnamese can probahly avoid incursions deep into Thailand by their armonred divisions. These would almost certainly provoke a second Chinese invasion of Vietnam, carrying with it the risk of drawing the Soviet Union deeper into tha conflict.

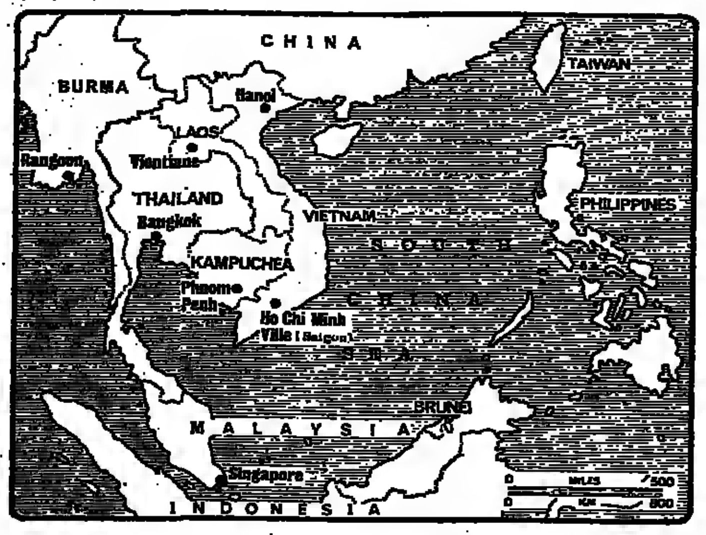
A major drive against Pol Pot could still be on the cards, however. Vietnamese divisions remain deployed in strength, ready for just such an operation along Thailand'a border. But to stand a chance of success hy June, when the rains intervene, a major push by the Vietnamese would have to begin hy mid-February, and time is running out.

One suggestion is that Hanoi now believes that it has made sufficient gains on tha ground to ease up on its key ohjective of liquidating the Khmer Rouge and switch tactics for the time being to more limited "search and destroy."

This may take longer—some military experts say forever—hut it has the ment of being politically less contentions.

The second explanation of Vietnamese quiescence, one described as "highly plausible" hy Western diplomats, is that the Soviet invasion of Afgbanistan is beginning to influence what remains a major hattleground between Peking and Moscow.

China continues to hack the Khmer Rouge with arms and unswerving political support as the only effective anti-Vietnamese force in the area. The Russians meanwhile persist with an arms airlift to Hanoi—costing between $2m and $3m a day—which ia largely if not solely responsihle for sustaining Vietnam's presence in Kampuchea.



But there is now evidence to suggest that the Kremlin may he restraining Vietnam from attacking Pol Pot in one major sweep.

At a time when the Russians are preoccupied with consolidating important gains in Afghanistan, it seems that the Soviet leaders are anxious not to he drawn into a clash with China or to hava to hear the increased hurden of a major Vietnamese offensive.

The hope now is that if military conflict does not escalate in the next few weeks, the chances of a constructive political dialogue will be much greater.

But there are clearly differences of emphasis within ASEAN which point to two basic options in any eventual political settlement.

● The first is that ASEAN would accept Vietnamese hegemony over Indochina and the indefinite presence of some Vietnamese troops in Kampnchea. This would he in exchange for the hroadening of the Heng Samrin regime in Pnom Penh to include some noo-Communist elements under the guise of a face-saving constitutional change which would inclnde "elections."

Vietnam already appears to be preparing the ground for this. Such a solution would he favoured by Indonesia, Malaysia and the Philippines. They aee a strong Vietnam as a buffer against China, which is seen to be subverting the delicate racial halance in the region through the large Chinesa communities.

● Thailand and Singapore would regard the acceptance of Vietnamese hegemony as appeasement. They insist that any political solution must include a precise timetahle for the withdrawal of Vietnamese troops.

This is also tha minimum which China would accept. Peking, which has considerahle leverage over Thailand through the supply of oil and effectiva control of the country's dormant but powerful Communist Party, has recently been urging ASEAN to stand firm, using the example of Afghanistan to drive home its arguments.

However, the one major area of concern to Thailand, and to the West, remains the refugees who continue to pour across the horder, albeit at a slower rate. A dispirited, shifting population could pose a serious threat to Thailand's stability. There have been signs recently that General Kriangsak's regime has been encouraging the somewhat patchy attempts to forge a united Khmer front between tha Pol Pot forces and Khmer Serei non-Communist groups as an alternative to early negotiations with Hanoi.

The predominant achool of thought in Bangkok remains convinced that a well-fed and well-armed fighting Khmer force harassing the Vietnamese is the only real cbsnce of persuading Hanoi to pull hack its troops and settle on terms which would give South-East Asia a half-chance of fending off the spread of Communist influence.

In the final analysis Kampuchea is trapped between the powerful and entrenched strategic interests of Hanoi and Peking: Hanoi remains determined to resist Chinese infinence and prohahly to retain effective control of the country; Peking sees Kampuchea as an extension of the Sino-Soviet conflict, and the dialodging of a major Russian foothold on its southern flank, remains a cardinal principle of its foreign policy. Under these circumstances, the prospect of a neutral Kampuchea is, for the pathetic remains of its ravaged population, likely to remain a mirage.

Rhodesia campaign opens with 700 nominations

BY BRIDGET BLOOM IN SALISBURY

THE CAMPAIGN for Rhodesia'a British-supervised majority-rule election opened officially yesterday when more than 700 candidates were nominated for 80 black seats. Nine African parties are contesting the election. One, the Zimbabwe United Peoples Organisation (ZUPO) led by Chief Chirau, failed to nominate candidates.

In an apparent effort to emphasise the need for national reconciliation, the leaders of the three major parties are all to stand in constituencies outside their own tribal areas.

Mr Joshna Nkomo, who is from the minority Matabele, is standing in Midlands which has a majority Shona population.

Though Bishop Muzorewa, leader of the United African National Council (UNAC) and Robert Mugabe, leader of Zimhahwe African National Union (National Front) ZANU-PF, are both Shona, and are standing in Shona constituencies, they are nominated for areas far from their own tribal base.

Meanwhile, Britain has heen endeavouring to secure the release of some 50 ZANU detainees, held in Mozambique, but appears to have met with little success.

British officials here, clearly under pressure from the Rhodesians, have hinted for some days that Mr. Mugabe'a return is conditional upon the release of the detainees as well as on a halt to what is alleged to be increasing and intentional ceasefire violations by guerrillas owing allegiance to him.

Mr. Mugabe's return, which his officials insist will take place next Sunday, is awaited with some trepidation but could well ease the prohlems of communication which the British administration has with the newly-arrived and apparently disorganised ZANU officials.

Meanwhile, the Rhodesian Front led hy Mr. Ian Smith, has agreed on a list of candidates for the 20 seats reserved for whites. Most of those who sat in the last Rhodesian Parliament will stand again, including Mr. Smith.

It is understood that a backstage row preceeded the nominations. The differences arose between Mr. Ian Smith and his supporters and Mr. David Smith, the former Finance Minister, over the approach that white MPs should adopt, both in the election campaign and in Parliament. There are suggestions that Mr. Ian Smith's continuing leadership was questioned.

While a split has been averted for the time being, the Davld Smith faction appears to have won agreement that the party will not align itself publicly with any of the African parties in advance of the election.

Mark Webster adds from Plumtree: The first 1,000 of an estimated 23,000 Rhodesian refugees in Botswana came across the border here yesterday as the first stage of a scheme to repatriate abont 230,000 refugees got under way.

On Friday, the first refugees from Zambia are expected to be flown to Salisbury and Bulawayo, hut most of the 60,000 estimated to be in Zambia will come by road. Soon afterwards the first of 150,000 refugees in Mozambique will start returning through Umtali.

Bani-Sadr urges broader base for Iran's economy

BY SIMON HENDERSON IN TEHRAN

IRAN'S economy must he changed ao that it is no longer dependent on oil revenues, according to Mr. Ahochassan Bani-Sadr, the Finance Minister. Instead he has apoken of the need to build np agriculture and small industries.

His comments, made as part of his campaign to be elected his country's first President in polls next Friday, emphasise the degree to which the revolutionary authorities are trying to change the structure of the economy towards self-sufficiency.

Mr. Bani-Sadr said villages must ahsorh unemployed workers and small indnstries should be transferred to the rural areas.

In a separate announcement, Mr. All Akhbar Moinfar, the Oil Minister, said after a meeting of the ruling Revolutionary Council, that it bad been decided that the car industry would manufacture utility rather than luxury cars. These shonld he manufactured locally rather than assemhled as at present, from imported kits.

The country is now rapidly changing from the form it had in the regime of the deposed Shah when it was a high-revenue, development-oriented economy. Although with increased prices oil revenue bas remained comparatively stable, it is becoming less crucial to the economy, according to the Government.

In another election speech a few days ago Mr. Bani-Sadr said oil revenue was running at $25bn a year of which $15bn was being put into reserves.

Mr. Bani-Sadr, who is regarded as favourite to win the presidential election, said in his latest speech that some Iranian towns and villages lacked real economies and the national economy was being run on the income from oil.

Agricultural land should he douhled so that Iran would no longer need to import food and priority should be given to allocating more agricultural credit.

Mr. Bani-Sadr'a strength in the present Government and standing in the elections is huilt on the respect given to him for his synthesis of economic ideas with Islamic principles. The result is frequently evident in quasi-Socialist policies such as the nationalisation of the hanks and insurance companies and the planned nationalisation of foreign trade.

Moslem talks on Afghan venture to go ahead

By Our Foreign Staff

THE ISLAMIC conference to discuss the Soviet invasion of Afghanistan is to go ahead as planned in Islamahad on Saturday despite a threat hy the Palestine Liberation Organisation and four Arab states to boycott the talks unless the venue and date are changed.

The decision to go ahead was confirmed in London yesterday by the Islamic Council of Europe. Mr. Farouk Kaddoumi, chief of the PLO's political department and *de facto* Foreign Minister, confirmed that his organisation would not be represented.

The PLO, Syria, Algeria, Libya and South Yemen decided last week ta call for a postponement and transfer of the conference to Saudi Arahla. Their move is seen as a device to avoid emharrassing pressure on them to criticise the Soviet Union.

The five, who met in Damascus as the "Arah Steadfastness Front," decided that opposition to the Egyptian-Israeli peace treaty should take precedence and no offence should be caused to the Soviet Union, their main ally on that issue.

New safety measures for Assad's Soviet advisers

BY IHSAN HIJAZI IN BEIRUT

SYRIA and the Soviet Union have been in touch during the past two days over a wave of assassinations of Russian military and civilian technicians serving with Syria'a armed forces and in development projects.

A message received by President Hafez al-Assad from President Brezhnev on Sunday was reported by Arab dlplomats to be in connection with tha murder last week of two senior Soviet officers in the central town of Hama, and the wounding of a Russian civilian engineer in Aleppo in the north.

The two countries were reported to have decided to co-operate in providing better security for the 2,000 Soviet military advisers and 500 civilian technicians stationed in Syria. There was no question of a Soviet withdrawal.

Dr. Abdel Rauf al-Kasam, Syria's Prime Minister, emphasised in a speech in Damascus at the weekend that his Government was determined to strengthen co-operation and friendship with tha Soviet Union.

The Syrian Government has refused to join tha anti-Soviet campaign over military intervention in Afghanistan and will not attend a conference of Moslem Foreign Ministers this week to discuss tha intervention. Mr. Brezhnev has already expressed his appreciation over the attitude which Damascus has taken towards the Afghan situation.

Despite years of co-operation with Moscow, the Syrians have been careful not to admit an excessive number of Soviet military technicians.

The number of military advisers was increased recently from 1,500 to 2,000 to train Syrians in the use of aophisticated weapons delivered after a visit to Moscow by President Assad last Octoher. The arms included MiG-25 fighters and T-72 tanks.

The Syrian authorities have hlamed members of the militant Moslem Brotherhood for the killing of the Soviet technicians.

Observers here helieva the brotherhood wanted to take vengeance for Soviet military intervention in Moslem Afghanistan and also to discredit the Syrian Govarnment.

Israel approves more settlements

BY DAVID LENNON IN TEL AVIV

THE DEADLOCK in the negotiations on Palestinian autonomy has not deterred Israel from pushing ahead with its plans to build more Jewish settlements on the occupied West Bank of the Jordan and in the Gaza Strip.

The Government has approved the establishment of two new aettlements on the West Bank and haa ordered a study to be made of the possibility of huilding additional Jewish settlements in the densely populated Gaza Strip.

The decision was taken on Sunday, despite a report from the head of the Israeli working gronp at the Autonomy Talks, who said that Egypt regarded the settlemants as "null and void" and waa beginning to have secood thoughts ahout the whole peace agreement.

Despite total disagreement between the Egyptian and Israeli teams about the scope of Palestinian antonomy, the Cabinet has dacided to stick by its proposal to grant the Palestinians of the West Bank and Gaza only very limited administrative powers. It also rejected again the Egyptian suggestion that the Palestinians should have legislative and executive powers in the antonomous region.

Dr. Haim Kuhersky, who headed the Israeli Autonomy team, reported that he found Egyptian officials questioning the benefit accruing to Egypt from the peace treaty with Israel. They noted that among the Egyptian pnhlic the prevailing view was that Egypt had fallen from its senior position in tha Arah world and the damage stemming from the peace treaty outweighed any advantages.

Castro brothers daunted by domestic economic trouble and world political crisis

Spectre of bankruptcy haunts Cuban regime

CUBA is beIng stalked by the spectre of "economic disaster and bankruptcy, with its sequel of sterving people and bundreds of thousands of unemployed." This fearsome view comes not from some diehard anti-Castro redio station in Miami, but from the mouth of President Fidel Castro's brother, Raúl, tbe Cuben defence chief, in a frank and extremely grave analysis of the ieland's deep-seated economic problems.

At the same time the economic crisis eppears to bave been aggravated by tbe emergence of the first signs of a dissident movement at home and by diplomatic problems stemming from the Soviet invasion of Afghenistan. The will of the Castro brothers to rule and to rule successfully has probably never been more strenuously tested then today.

Having raised the spectre of the fate menacing Cuba, tbe President's brother was of course quick to proclaim that the island's Marxist-Leninist form of government and the belp it received from elsewhere, particularly the Soviet Union, was protection enougb against economic cataclysm. Bnt General of the Army Raúl Castro made no bones about the chellenges facing Cuha.

The world economic crisis, runaway inflation and low prices for Cuba's sugar, which accounts for all but a fraction of its export revenue, are all damaging enough. But Raúl Castro binted that the country might not be earning enough to cover the production cost of its main crop. Worse, blue mould disease was affecting Cuba's tobacco fields for tbe second seeson running, and sugarcane smut plague was going to bit output levels this season.

The result, he said, was tbat the Cuban in the street could look forward to no material improvements in his position. And the President's brotber was courageous enough to confess that Cuba's ills could not all be blamed on the U.S. blockade, the *crisis of capitalism* or *the wrath of nature*, however often they may bave been "nsed as pretexts to hide our deficiencies."

"To tbe objective factors we've described we must add the presence of indiscipline, lack of control, irresponsibility, complecency, negligence, and "buddyism" wbich, in addition to aggrevating meny problems, prevent others from being solved and generate justified irritation on the part of broad eectors of the population."

Particularly in agriculture, Sr Castro charged, many penple were working only four to six bours a day. The norm system was being widely abused, with people fulfilling their norm two or three times over in one day and then knocking off for two days. There was unwillingness to overfulfil norms lest they be increased, bnt tbis was not all the fault of some lazy workers. Some functionaries were clearly living a life of Riley, with cars and other luxuries provided to them for their jobs.

Report by Hugh O'Shaugnessy, *Latin America Correspondent*

Sr Castro's speech, delivered in Santiago, the capital of Eastern Cube late lest year, was rapidly followed by the sacking of the Transport Minister in December. Transport, particularly urban passenger transport, bas for years been a sore point with city dwellers and managers alike. The former find the buses to take them to work or to the shops erratic and unreliable; the latter are often barassed beyond patience with tbe difficulties of making their factories and offices work smoothly and on time. The railways need modernisation and the inter-city huses could also be improved.

However, worse was yet to come for tbose at the top whom the Presideot regarded as inefficient administrators. A ministerial and cabinet reorganisation followed this month wbich abolisbed 20 ministries and merged their functions with others and 11 people of ministerial rank suddenly lost it.

Raúl Castro was not talking lightly when he referred to people's irritation. In recent months signs beve appeared of an emergent dissident movement. Tbe President's brother had talked before of "little groups of intellectuals" aitting in judgment on the revolution. Then last month reports from diplomats in Havana thet walls hed been daubed with anti-Castro slogans end that handbills had been found were confirmed by reporters *usually* favourable to the Government.

Unrest hes also been manifest in the bids by Cubana to reecb asylum in the various Latin American embassies in the capital — principally the Venezuelan mission, but last week also the Peruvian. The Committees for the Defence of the Revolution, the Government's neighbourbood aupport groups, beve been altered.

Lest the U.S. Government or U.S. citizens be tempted to take advantage of a difficult internal situation, e Cuban court sentenced U.S. *citizens* wbo bed been caught distributing bible tracts from a light aircraft to 24 years imprisonment each. The punishment could be seen as e warning to the CIA end the Miami anti-Castro diehards that the Cuban Government has not forgotten the efforts to destabilise it in the early 1960s.

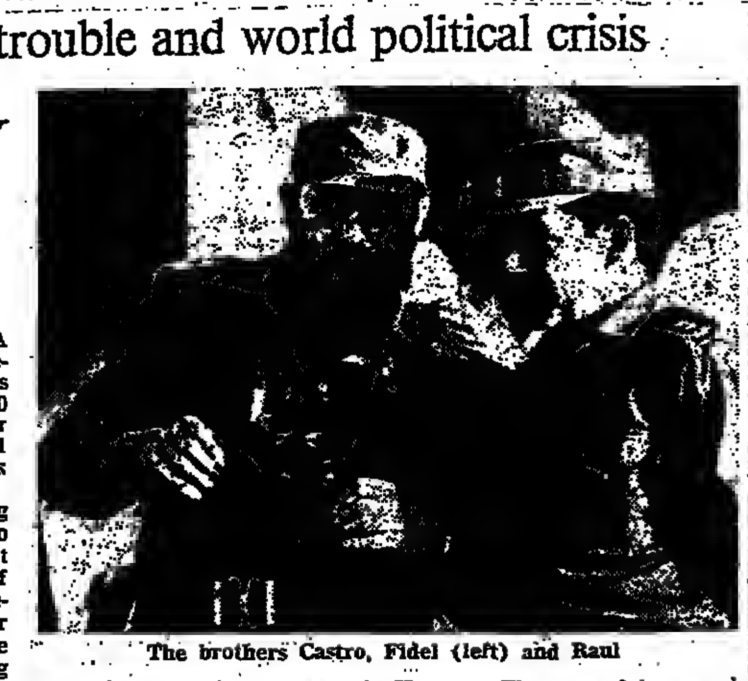
As if this was not enough to *test* the Castros' rule the Havana Government bas this month been fecing the issue posed by Afghanistan. For some daya after Moscow hed sent troops to Afghanistan Cuban representatives at the UN and elsewhere preserved something of a silence about the moves, not joining in the chorus of support that, for instance, the East German regime mounted.

The Cuban delegatioo eventually lined up with the rest of Comecon and voted in favour of the invasion of Afghanistan when the vote was taken in the UN General Assembly. But the initial Cuban hesitation eppeared to confirm that Fidel Castro was at least aa embarrassed by Soviet conduct in Central Asia as be bad been over their invasion of Czechoslovakia in 1968.

The Russian move into Afghanistan, widely condemned In the Third World, was difficult for the Cuban Government to handle. Cube's economic reliance on the Soviet Union counselled support for the invasion, while Castro's desire for personal leadership of the Third World suggested that a less enthusiastic reaction would be more politic. In the end the more pressing economic reasoning outweigbed the more ambitious diplomatic aspirations.

The decision to back the Soviet invasion bas brought more difficulties than increased strain in relations with the Third World. It bas strengthened the arguments of the bawks in the U.S. that it is time Washington "did something" more bostile against the Marxist-Leninist presence on its doorstep.

It is probably realistic to think that relations between Wasbington and Moscow will have to deteriorate a great deal before the U.S. started overt military action against the Cuban Government. But the potential threat *from* tbe U.S. must be worrying for the leadership in Havana. The cost of increased military vigilance will have to be paid in yet another brake on economic productivity.



The brothers Castro, Fidel (left) and Raul

The multiple problems besieging the Cuban Government have not so far *persuaded* President Castro to withdraw his troops from Africa, wbere 19,000 are on dnty in Angola, a further 15,000 are based in Ethiopia and more than 1,000 are in other spots from São Tomé and Principe to Zambia.

Nor has the role of Cuban civilian technicians, of which there are reported to be 6,500 in Angola alone, been reduced so far. Some diplomats suggest that by encouraging African governments to pey for Cuban services Cuba will start earning substantial amounts of foreign currency from Africa.

Cuba bas taken 10,000 foreigners, mostly Africans, for training in its own schools, often at a very young age. Western diplomats reported that 600 Congolese schoolcbildren aged not more then 12 errived in Havana in November for courses lasting np to 13 years, double that number left Ethiopia for Cuba in the same month.

For a country with a population of less than 10m and with the difficulties Cnba faces, the effort spent fostering foreign relations is little short of pbenomenal. It is understandable only in the context of the driving personal ambition of President Castro to secure for bimself and his country the largest possible place in the annals of world revolution.

It's not quite the same as politics, but almost

BY JUREK MARTIN, U.S. EDITOR IN WASHINGTON

READERS of tbe political runes were struggling yesterday to find lessons for last night'a Iowa Presidential caucuses in Sunday's victory by Pittsburgh over Los Angeles in the Super Bowl, the American football cbampionship.

The Pittsburgh Steelers, the dominant team of the last decade, won its fourth title in the past six years by overcoming a stubborn Los Angeles Rams outfit by 31 points to 19. The Steelers' victory means that Pittsburgh continues to bold the championships of both majer American sports, as its baseball Pirates won last year's World Series.

On the face of it, Sunday's result was a bad omen for the two principal Californian Presidential candidates, Mr. Ronald Reagan and Mr. Jerry Brown. But the comparison is facile, since the egeing, retiring Mr. Reagan, and the fey, interplanetary Mr. Brown bear little cbaracter resemblance to the sweaty, gritty hehemoths of the Rams team, wbo fought the Steelers so hard, belying the *laid-back mellow image that* California so often presents to the outside world.

Adherents of the George Bush school of politics, who believe anything is possible if you run long and hard enough, could take no consoletion from the fact that the Super Bowl, one of the best in recent years, was decided by Pittsburgh's use of the swift, aerial strike.

Mr. Jobn Connally, who seems to believe that money can buy the Presidency (be is the only candidate refusing to accept federal funding for his campaign) must be disappointed that the Pittsburgh side was built not by expensive forays into the transfer market but by careful early recruitment of promising college players.

Some of the candidates have sporting connections. Mr. Carter runs in races, but does not always finish them; both he and Mr. Bush like tennis. Senator Kennedy sails and plays touch football. Mr. Reagan started out life as a sports broadcaster on early radio (in Iowa no less).

All, of course, would he appalled; if asked, abont what inflation bas done to the cost of staging, and attending, the Super Bowl. Ticket touts were getting up to $500 a ticket, beer and peanuts were doubled in price, and CBS television invested millions of dollars in coverage.

But nobody, absolutely nobody, suggested boycotting the event.

U.S. offers Egypt $1.1bn for F-16 fighter aircraft

BY OUR U.S. EDITOR

THE U.S. is prepared to offer Egypt an edditional $1.1bn In military credits over the next two years, principally to finence purchese of the *sophisticated* F-16 fighter aircraft.

The proposal, which requires Congressional approval, is seen bere as a major commitment to strengthening President Anwar Sadat's régime and is part of the emerging global strategy of actively meeting the security requirements of close U.S. allies.

The pledge to Egypt aeems certain to create problems in the triangular relationship involving Israel et e time wben the Isreeli-Egyptien negotiations on eutonomy for the West Bank bava reached an epparent impasse, probably requiring U.S. mediation.

Israel itself, which has eaid publicly it opposes sales of such advanced equipment as tbe F-16 to an Arab country, was recently disappointed when it wes able to elicit from the Carter adminstration only a promise of an additional $200m in military aid to supplement the $1bn a year *it already receives* and the $3bn in credits and grants earmarked for the 1979-81 period.

According to publlshed reports, $350m of the additional $1.1bn for Egypt will be disbursed in the fiscal year beginning in October, with the balance in the following fiscal year.

Under tbe military aid package announced after the conclusion of the Egyptian-Israeli peace treaty last year, Egypt was promised a three-year $1.5bn military aid package.

The U.S. is expected to counter Israeli complaints by arguing tbat, even with the latest addition, Israel will continue to receive more military aid than Egypt — and that, in any case, the extra $1.1bn Is far less than President Sadat requested.

Citibank employee appeals

By David Lascelles in New York

NEW YORK judges are considering an appeal by Mr. David Edwards, the former Citibank employee wbo claims he was dismissed from the bank in 1978 after trying to uncover questionable foreign exchange practices.

Mr. Edwards's suit, under whicb be is claiming $14m in damages, was dismissed on a technicality last June wben the bank managed to prove that he had no employment contract.

Mr. Edwards cbarges that several European Citibank branches transacted foreign exchange at artificial rates so as to "park" profits in low tax centres.

An investigation by Citibank's lawyers and auditors into these charges produced evidence thet this waa so, but *the* bank has denied any "systematic wrongdoing."

Poll puts Liberals ahead of Tories in Ontario

BY ROBERT GIBBENS IN MONTREAL

ONTARIO, THE most populous Canadian province wbich put Mr. Joe Clark and the Progreseive Conservatives into office last May, seems to be swinging away from the Tories ahead of next month's election.

A poll conducted by the CTV *television network gave the* Torles 35 per cent of the votes to be cast in Ontario on February 18.

Ontario has 95 of the 282 seets in the Canadian House of Commons. Its results are crucial because the second-biggest province, Quebec, is safe ground for the Liberals. Last May the Conservatives took 57 of the Ontario seats, the Liberals 32, and the New Democrats, a left-of-centre group, received six.

The Liberals also appear to be doing better than expected in the prairie provinces, where the CTV poll gave them 43 per cent. The prairies, however, are thinly populated and have few seats in Ottawa.

On a national basis, the CTV poll gave the Liberals 51 per cent, nine points better than in the last opinion poll. The Toriea were down seven points to 31 per cent.

Victor Mackie reports from Ottawa: Mr. Ray Hnatyshyn, Canada's Minister of Energy, Mines and Resources yesterday announced increased prices for natural gas in both domestic and export markets.

The domestic price of natural gas will rise by 15 cents to C$2.30 (87.5p) per million British thermal units on February 1, onder the existing Canada-Alberie agreement on natural gas pricing.

The minister also announced that natural gas for export markets will be priced at U.S.$4.47 per million BThU. from February 17, up from U.S.$3.45.

China deficit doubles

TOKYO—China's trade deficit doubled to around $2bn (£880.4m) in 1979 from e 1978 deficit of about $1bn, the Japan External Trade Organisation (JETRO) said in a survey.

It estimated thet Chinese exports rose to between $13.2bn and $13.5bn from $10.3bn in 1978, while imports rose to between $15.3bn and $15.5bn from $11.35bn e year before.

Exports to non-Communist countries rose, with Jepen becoming China's largest market and Hong Kong falling to second place followed by West Germany. Singapore and the U.S., JETRO said.

To *diversify its* export partners. China started selling crude oil to the U.S. and Italy last year.

In the import sector, imports from Western industrial nations increased sharply, notably from Britain, The Netherlands and France. Imports of grains including wbeat, maize and soyabean rose to well over $1.12bn in 1979, JETRO said.

China has been assured of Governmental and private foreign loans estimated at $20bn but actual *loans* are believed to be *small* due *to higher interest* rates in international money markets. Reuter.

Tony Walker writes from Peking: China has the potential to become very powerful economically, by the year 2000, but there were a number of difficulties it would have to overcome, Mr. Isamn Miyazaki, Jepan's Economic Planning Minister, aaid.

Mr. Miyazaki, who spent last week in discussions with senior Chinese economic plamners, said China would have to combat inflation and unemployment as it *sought* to modernise *its* economy. He described China's list of 120 large projects as "very ambitious."

The Minister said that one of the difficulties be had experienced in his discussions with his Chinese counterparts waa that often Chinese economists "spoke a different language."

Mr Miyazaki, whose department directly advises the Japanese Prime Minister, said he hoped that his discussions last week would lead to a regular round of talks, such as Japan hed with the U.S. and the EEC.

● Nichimen, a Japanese trading concern, has signed an agreement to provide Y3.4bn (£6.3m) in loans to China to help finance a large-scale agricultural project in Heilongjiang province in north-eastern China, AP-DJ reports from Tokyo. The loans will be nsed chiefly to import *agricultural machines* from the U.S.

Swiss trade gap soars to £1.3bn

By John Wicks in Zurich

SWITZERLAND'S trade deficit reached SwFr 4.7bn (£1.3bn) last year—nine times the 1978 figure of SwFr 520.4m (£144m). The deficit was the highest since the record SwFr 7.57bn in 1974.

The Swiss Customs Directorate *said that almost* one-half of the 1979 deficit was dne to the increase *in* the oil price. This and other rises in overall prices *meant* that in real terms, imports grew by 9 per cent and exports by 2.2 per cent.

Nominal totals ahow a jump of 15.2 per cent. to SwFr 48.7bn in imports, and a rise of 5.4 per cent to SwFr 44bn, for exports.

The figures point to a marked decline in Switzerland's traditional surplus on current account. A recent study by Union Bank of Switzerland points to a further redncion for the current year.

Car sales fall in Holland

By Charles Batchelor in Amsterdam

CAR SALES in the Netherlands, composed almost entirely of imports, fell for the first time in five years in 1979, according to Motor Industry Association (RAI) figures. Sales fell 2.7 per cent to 568,870, though a change in the basis on which the figures are calculated meant the relative decine was even steeper.

General Motors sold 91,164 cars, most of them Opel models, and took 16 per cent of the market compared with 14.9 per cent in 1978. The combined sales of the Peugeot-Citroen-Talbot group were 88,782, or 15.6 per cent of the market compared with 18 per cent.

Ford took third place with sales of 63,243 and a market share of 11.1 per cent against ahare of 11.1 per cent.

The Japanese manufacturers—Daihatsu, Datsun, Honda, Mazda, Mitsubishi, Subaru and Toyota—sold 110,969 cars and took 19.5 per cent of the market against 18.8 per cent.

S. Africa-Zambia link

The Sonth African and Zambian Governments are negotiating the introdnction of a direct passenger air service between Johannes*burg* and *Lusaka*. According to Dr. Kobus Loubser, South African Airway'e general manager, the service will begin "in a very short time" if Zambia agrees to proposals made by SAA. Bernard Simon writes from Jobannesburg.

Eastern RB-211 loan

The Export Credits Guarantee Department has guaranteed a $156m loan which Lazard Brothers, acting on its own behalf and for a syndicate of banks, has made available to Eastern Air Lines to finance a contract for supply RB-211 aeroengines.

Israel hopes for £1bn UK business

BY ANTHONY McDERMOTT

ISRAEL hopes that within three years trade exchanges with Britain will reach £1bn, eccording to Mr. Gideon Patt, the Minister of Commerce, Industry and Tourism, at a Press conference in London yesterday. At present Anglo-Israel trade runs at about balf this level.

Mr. Pett, wbose six-day visit to attend the fourth meeting of the Anglo-Israeli joint economic commission ended yesterday, said that in 1979 Israel'a exports to Britain totalled £227m against imports valned at £270.6m.

During his visit, Mr. Pett has met with numerous government officials including Mr. John Nott, and Mr. Cecil Parkinson, respectively Secretary and Minister of State for Trade. Mr. Parkinson has agreed to lead a delegation of industrialists to Israel in April or May.

Anglo-Israeli trade has changed in composition particularly since the beginning of tha 1970s. On the British side there bas been a marked sbift away from exporting diamonds towards equipmeot and technology, and oo the Israeli side exports have turned gradually away from consumer items, such as textiles and agricultural prodncts, towards industrial products.

Mr. Patt said that there were about 100 projects for Britain in Israel "in the pipeline," and thet the fact that these were mainly concentrated in the areas of optical equipment, computers and telephone exchanges reflected the complementarity of the two countries' trade. Israel is also especially keen to market its electronic equipment in Britain.

Mr. Patt said that Israel had received a sympathetic hearing from Britain to the problems it may face with the enlargement of the EEC to include Portugal, Greece and, in particular, Spain.

He said that Israeli studies of the effects of tariffs, Common Agricultural policy and subsidies could result in the collapse of 40 per cent of the Israeli food processing industry. In addition, as quotas and subsidies were altered with new membership, the textile industry would be badly hit.

● Starting January 27, El Al will operate a twice-weekly service between *Tel Aviv* and Cairo. An Israeli delegation is expected to leave for Cairo this week to finalise arrangements.

Japan companies nervous over Iran plant deadline

BY RICHARD HANSON IN TOKYO

THE JAPANESE partners in the Iran-Japan Petrochemical Company, which is building the petrocbemical complex in Bandar Khomeini, are responding nervously to the two-week deadline issued by Mr. Ali Akbar Moinfar, Iranian Oil Minister, for a restart in construction.

"We are preparing for everything," said an official of Mitsui and Co., which heads the five other Japanese companies involved in the complex.

The plant is *about* 85 per cent complete, and Mr. Moinfar is threatening to seek another partner if renewed Japanese co-operation is not forthcoming soon.

The Japanese partners say work could be resumed on the stalled project within the two-week deedline. A decision to do so, however, depends solely on the position *taken* by the Japanese Government.

Last week Japanese officials asked a U.S. envoy during consultations on the issue of economic sanctions against Iran for the petrochemical complex to be exempted from any sanctions. Japan feels that the losses which would result from cancelling the project would be too great to bear.

Japanese officials are trying to salvage whatever they can of the country's economic relations with Iran. They are particularly worried that Iran will cut off oil supplies to Jepan (as also threatened) if Japan goes along with U.S. proposed sanctions.

The Japanese Government has yet to formulate its response to the U.S. proposals. It is trying bard to delay any actions until America's European allies indicate wbat concrete steps they *will take*.

French loan for Brazil

BY TERRY DODSWORTH IN PARIS

FRANCE IS making an $850m borrowing facility evailable to the State of Sao Paulo in Brazil to belp with the financing of a $3bn hydro-electric scbeme due to be completed in 1984.

The loan underlines the developing trade links between France and Brazil, wbich exchanged about $1.3bn worth of goods in 1978. Although the two countries do not heve e long history of close commercial colaboration, Brazil is gradually climbing up the table of France'a foreign suppliers, where it bas reeched the 17th position. Brazil also buys 4 *per cent* of *its* imports from France.

The loan is not tied to any supply agreements from French companies and it is clear that the Frencb will be aiming to win contracts for the *threa power* stations involved mainly through their subsidiaries in Brazil. Tbe Brazilian authorities have indicated that about 70 per cent of the material for *the power* stations will have to be manufactured by locally-based groupa. Terms for the loan bave not been revealed, but it is known that it will be stretched out over 10 to 20 years depending on the item being financed.

Afghanistan invasion gives new impetus to EEC-Yugoslav relations

BY JOHN WYLES IN BRUSSELS

IN RECENT YEARS EEC *Governments have been notably* diligent in issuing declarations ebout their desire for even closer economic and political llnks with Yugosalvia, bnt they bave also been dilatory about *achieving them*.

The difficulties, of course, have been raised by both sides, but the negotiations on a new co-operation agreement to replace one which expired in August, 1978, *have been especially* protracted becanse eacb member state's desire to protect its own interests has whittled away the European Commission's room for negotisting position.

A promise of rapid change emerged last week through one of those decisions wbich EEC Ministers occasionally take to send a burst of adrenalin throughout the entire Community system.

Whipped into line by the fear that the Soviet Invasion of Afghanistan might be followed by a major threat to post-Tito Yugoslavia, EEC Foreign Ministers issued a crucial new "orientation."

In effect, they decided that the back of the two-year-old negotiations must be broken by *the time of their* next *meeting* in early February.

If their aim is achieved, Mr. Roy Jenkins, the Commission President, will set tha seal on a new era for EEC-Yugoslav *relations with a visit to* Belgrade in the middle of next month.

If a new deal is obtained in the next fortnigbt, it would mean more extensive political and economic links with Yugoslavia for the EEC than witb any other developing country, with the possible exception of Turkey.

Yugoslavia has insisted, bowever, that any agreement must he dressed up in such a way as to avoid compromising its cberished non-aligned atatus, a risk of which the Tito Government has long been aware.

When the first three-year non-preferential agreement, signed in 1970, came up for renewal with the EEC, the Yugoslavs were offered a preferential agreement which would broaden their co-operation with the Community and offer potentially greater access to its market for Yngoslav agricoltural and industrial prodncts.

But the Yugoslavs opted, instead, to retain its most favoured nation designation giving it EEC non-preferential agreements with developing countries, and with tha generalisad system of preferences which imposed quota ceilings on most of its products.

Partially as a result, the five-year agreement signed in 1973, and temporarily extended since 1978, bas not produced a positive transformation in EEC-Yugoslav trading relations. Quite the reverse in fact from the Yngoslav point of view, since the country's trade deficit with the Community soared from $886m in 1973 to $2.7bn in 1978.

At the same time, the share of Yugoslav exports taken by Comecon countries climbed from 31 per cent to over 40 per cent, and the political implications of this have only recently atarted to trouble the Nine.

Officially, the Community's view was that the widening trade deficit was a pity, but wbat Yugoslavia had to offer, particularly in the agricultural sector (such as beef and veal) did not complement the EEC's needs. Tbis meant, in effect, that there were too many domestic Community interests whicb felt themselves threetened by an agreement which would be truly useful to the Yugoslavs.

This has remained true, despite the Yugoslavs accepting about a year ago that a preferential agreement promised more substantive benefits. When the Nine started to develop a negotiating mandate for the Commission, it became open season for every member to see the shadow of danger in one Yugoslav product after anothar.

By the time this was completed, Belgrade found Itself confronted with an offer which pleced some 60 industrial items under import ceilings. Under existing procedures, this meant that the affected products, ranging from glass items and leather goods to non-ferrous metals and chemicals, would enjoy free entry up to a specified velume, after which a tariff would be automatically imposed if so requested by a member state.

By early last summer the Yugoslavs were beginning to question whether the EEC really wanted an agreement. They claimed that only about 10 per cent of the items the EEC wanted to circumscribe, covering 50 per cent of their exports, were really "sensitive" from the Community's point of view.

The Commission then spent the next several months combing throuh the list with Yugoslav negotiators as a prelude to tabling proposals for an improved negotiating mandate to member governments. It is these Commission proposals that the Nine must immediately react to and build on during the next few days.

On the industrial front, the Commission has suggested allowing free entry for a number of Items, including cement, cellulose nitrate and wickerwork items. It has proposed raising the ceilings on entry of other, more sensitive items, while another 16 products, exported out of the Osimo free zone set up by Yugoslavia and Italy, would be subject to import ceilings but would suffer tariffs if they breached them only at the request of Italy.

The Nine will also have to grasp an ever-painful textile nettle. Yugoslavia agreed in 1977 to quantitativa restrictions on its textile exports to the EEC and the Commission is now asking for complete duty-free entry *for some of these* products.

It has not, however, bowed to Yugoslav demands for scrapping a safeguard clause in the proposed agreement which would leave the EEC *free* to impose unilateral measures if there is "exceptional" disruption in the market for a product.

In the agricultural sector, the Commission wants to raisa the quotas on Yugoslav baby beef above the limits previously proposed and also to cut tariffs and raise the quotas on its quality.

The non-trade aspects of the proposed agreement would include exchanges of economic forecasts, encouragement of indnstrial and agricultural investment, *promotion of joint* ventures, more European Investment Bank loans for Yugoslavia at well as trade credits.

GEC Electrical Projects of Rugby, have received a £14m order covering the supply of complete drive systems for a fully-computerised cold rolling steel *mill complex for Metalurski* Kombinaat Smederevo (MKS) of Serbia, Yugoslavia. The order has been received from Davy Loewy, the main contractor, and follows over two years of tendering activity against world-wide competition.

Pickets seek to block oil rig supplies

BY RAY PERMAN, SCOTTISH CORRESPONDENT

STEEL STRIKE

STEEL STRIKERS in Scotland stepped up their action yesterday when they sent flying pickets to Aberdeen to block the mnvement of steel and steel prodncts to offshore oil rigs and platforms.

The strike committee, based in Motherwell, has decided to intensify picketing of manufacturing industires, begun last week in defiance of official union policy. Other unions have agreed to support action against manufacturers so long as it only involves raw steel. Finished products and other materials are not regarded as legitimate targets.

Picketing of manufacturing industry has yet to bite in Scotland, since most companies have stocks of steel on the premises sufficient to last fnr a few weeks or are still receiving some supplies from stockyards. However, several stockholders have had to close or limit deliveries.

The number of pickets operating in Scotland has been increased to between 600 and 700 fnllowing the decision by steel industry craftsmen to join members of the Iron and Steel Trades Confederation.

Mr. Pat Shevlin, spokesman for the strike committee, said that the busload of 30 pickets sent to Aberdeen intended to prevent material being transferred to offshore supply vessels. This would hinder drilling and other work.

They would be picketing the four main steel stockholders in Aberdeen and the yards where pipe and other equipment is stored by companies working offshore until it is needed. Most of these depots are some distance from the harbour.

Effect

"If we find the kind of co-operation from other unions we received in the West of Scotland, we will be able to hit tha production of North Sea oil by picketing their suppliers," Mr. Shevlin said.

But the steelmen are unlikely to have much effect on offshore work unless thn strike is prolonged. Most drilling rigs and production platforms have large stocks and little raw steel is used offshore.

Dockers and haulage drivers are unlikely to refuse to move finished products. Mr. Bill Reid, Aberdeen area secretary of the Transport and General Workers' Union, said his members would he expected to comply with union policy in refusing to handle steel.

But he added: "I doubt if we would regard pipes or other goods as legitimate targets for pickets. We are in dispute with the British Stlee Corporation, but most drilling pipe used offshore comes from West Germany, Japan or elsewhere abroad."

More lay-offs likely at BSC

BY MAURICE SAMUELSON

BRITISH STEEL'S Stanton works, at Ilkeston, Derbyshire, which sent home nearly 1,000 workers last Friday, may lay nff most of its remaining 3,000 employees this week as a result of the heavy picketing which yesterday halted deliveries of finished products.

Only 120 employees, memhers of the National Union of Blastfurnacemen, are officially on strike. Half of these are not involved directly, since they are engaged on separate contracts which last until May.

The strikers were far outnumbered by about 400 pickets who arrived yesterday from Teesside, Sonth Wales, and Corby, Northants. They hampered deliveries of finished pipes. The plant said last night that if this pressure is maintained it will probably have to stop work and lay off most of the rest of the workforce this week.

The main steel union, the Iron and Steel Trades Confederation, has no members at Stanton, where, apart from tha blastfurnacemen, most of the staff belong to the General and Municipal Workers' Union, the Transport and General Workers' Union and the Amalgamated Union of Engineering Wnrkers.

Yesterday's picketing was largely peaceful. It succeeded through sheer weight nf numbers. The blastfurnacemen's action has already resulted in the closure of the central melting plant. Distribution of metal bas been made impossible. Lost production bas been costing about £500,000 a week, and the first of more than 500 men to be made redundant there will leave later this month.

Pickets were also reported outside private steel stockholders in several parts of the country, although most warehouses are still functioning normally. The National Association of Steel Stockholders said that while picketing in the North East had slackened off slightly, there had been new cases in Dorset and Scotland.

GKN Steelstock, the biggest private steel warehouse group, said that picketing had started at its warehouse at Trafford Park, Manchester, but that its headqnarters at Wombourne, near Worcester, was now picket-free.

NASS added that stocks of steel were still high. But if next week's threatened ISTC strike in the private sector went ahead, the tap would be turned off and stocks would start falling.

Jobs and plants threatened, say private producers

BY MAURICE SAMUELSON

PRIVATE STEEL producers yesterday warned of job losses and possible closures if their 20,000 employees who belong to the Iron and Steel Trades Confederation coma out on stirke next week.

Mr. John Paterson, president of the British Independent Steel Producers Association, appealed for the union to reconsider last week's decision to call a strike from Monday in solidarity with strikers in the State-owned industry.

He said in London that bis member companies were angry at the move.

"The private sector companies are not in dispute with their employees — they have entirely separate bargaining arrangements from the Britisb Steal Corporation. The union agrees it has no dispute with private sector companies," ba said.

Mr. Alec Mortimer, the asociation's director-general, said they supported the Government's general policy towards industry and the unions. In no circumstances would the association put pressure on the Government to concede the union's demands.

Tha producers' body represents more than 100 companies, virtually the whole private sector. A third of its 60,000 employees belong to the ISTC.

Mr. Mortimer added that the private sector had heen one of British industry's success stories and the strikers' actions against it were "an act of vandalism."

Mr. Paterson, in his warning about closures, pointed out that profitable private companies were unsubsidised and could not sustain prolonged losses. Local polls and meetings showed that workers in the private industry did nnt wish to join tha national strike.

Management was determined to provide work for aa long as possible bnt the resolution of the dilemma lay in the hands of the union.

Mr. Paterson said the union's suggestion that private companies sbould protest to the Government was "arrogance."

"Our protest is to the union against its short-sightedness and lack of regard for the welfare of our employees," be added.

Sandvik to close steel pipe factory

THE STEEL division of Sandvik UK is progressively to cease pipe manufacturing at Bentham, Gloucestershire, this year, which will result in the loss of about 70 jobs.

Mr. Frank Jowett, a director of Sandvik and head of the company's steel division, said the decision to close the factory was reacbed follnwing very heavy operating losses.

"For some years nnw, we have been suffaring from a diminishing market for large diameter stainless steel pipe because of the international slowdown in capital investment, notably in cbemical, petrochemical and nuclear industries. Added to this, there is now overcapacity for this type of pipe productinn in Europe and Scandinavia."

Sandvik will continue to market and distribute welded pipe in the UK through Superstock, the company's stockholding operation, and through the Projects Group.

Sandvik will also continue to seek a purcbaser requiring a modern plant for welded pipe in ferrous and non-ferrous materials, to enable this type of production to remain in the UK.

Construction orders show 8% fall

BY MICHAEL CASSELL

THE VALUE of new construction nrders won by contractors in the three months to the end of November showed an 8 per cent fall over the previous quarter, said the Department of the Environment.

Provisional figures from the Department indicate that orders between September and November, expressed in constant (1975) prices, were 12 per cent down on the same period 12 months earlier.

In November alone value of all new work taken on by the construction industry in Great Britain stood at £468m, against £499m in the previous month and £474m a year earlier.

The Department said new orders in public-sector housing between September and end November were down by 19 per cent over the preceding three months, and 37 per cent lower than 12 months before.

Private housing orders were 6 per cent lower than in June to August and 3 per cent down September-November 1978.

Public works orders received by contractors in the latest quarter were 29 per cent lower than in the preceding three months and 38 per cent down on a year before.

Private industrial orders were, however, 6 per cent up on the June-August period and 27 per cent higher than in the same period a year before.

Private commercial construction orders were 21 per cent np in September-November and 11 per cent higher than 12 months before.

Audit 'gave cause for alarm' over William Press wages

BY ANDREW TAYLOR

A ROUTINE audit of William Press operations in Scotland had disclosed matters "which gave cause for considerable alarm," a court was told yesterday.

Mr. Alec Ayliffe, the company's former internal andit manager, said he bad told Mr. David Gibson, the company's Scottish area manager, that the system of paying tax-free overtime to William Press employees as if they were on the payroll of a labour-only sub-contractnr was unlawful.

Mr. Ayliffe was giving evidence on the sixth day of committal proceedings against William Press and 11 of its executives who are charged with conspiracy to defraud the Inland Revenue. Two other men are charged with false accounting.

Mr. Ayliffe said he was sent, as an employee of Tansley Witt, accountants, to carry out an "efficiency audit" of William Press Scottish operations in June, 1973. He had investigated methods of paying wages and had become concerned about procedures in the company's Renfrew office.

He told his snperior, Mr. Edward Swaysland, a partner at Tansley Witt, that apparently when men worked overtime the hours were recorded on a labour-only sub-contractor's documentation instead of nn the Press payroll. On the Press payroll it indicated that they were being paid only for a basic 40-bour week.

New systems

Mr. Swaysland is one of the twn men accused of false acconnting. The other is Mr. Brian Buckley, the company's taxation manager.

Mr. Ayliffe said other matters concerning the Press payroll had given cause for alarm, "specifically wage allowances, subsistence allowances and other non-taxahle extras." He had discussed his concern at a meeting with Mr. Buckley and Mr. Cecil Nightingale, manager of the company's special services department.

He later received a letter from Mr. Nightingale about the introduction of new systems, whicb said "necessary changes have been made and the irregularities have been discontinued."

He was unable, however, to return to Scotland as an employee of Tansley Witt to examine the new systems, because of other work.

He said that while be was an employee of Tansley Witt be had never been asked by Mr. Swaysland, who was in charge of the audit, to put in "black and white" his reservations about the Scottish operations. Mrs. Swaysland bad told him to "view it with Nelson's other eye."

He was dismissed by William Press in 1976 but has claimed unfair dismissal.

Auditors 'knew of dressing'

"WINDOW DRESSING" of accounts was almost universal in secondary banking, and auditnrs could do nothing about it, a QC said in the High Court yesterday.

Mr. Adrian Hamilton, QC, was appearing for 29 partners in chartered accountants Harmood Banner and Co., now part of Deloitte Haskins and Sells, who deny that they negligently andited accounts of two companies in the London and County Securities grnup.

Group companies lost about £8.5m as a result of the auditors' negligence, it is alleged.

Mr. Hamilton told Mr. Justice Browne-Wilkinson that the auditors admitted that they knew there was an element of window dressing in the 1973 accounts of London and Connty Securities Limited and its holding company, London and County Securities Group Ltd.

What was at issue was the extent of it—"and what on earth we could have done about it."

A committee had been looking into window dressing for some time, hut had not yet recommanded how to deal with the problem, said Mr. Hamilton.

Damages are baing claimed against the anditors by 11 companies in the London and County gronp.

Their counsel, Mr. Donald Nicholls, QC, said there had been "a flurry of activity in the money market" by group companies immediately before the end of its financial year on March 31, 1973. This was designed to distort the picture of the gronp's liqnidity position.

The judge had to look in the accounts for "window dressing" transactions which seemed not tn have been entered into for ordinary commercial banking purposes hut tn artificially create an impression of a high liquidity ratio, be said.

"A clear picture emerges that undoubtedly substantial steps were taken to enter into ahnnrmal transactions, baving as their object the creation of a state of affairs on March 31 which would not have been created had that not been the year end."

The hearing continues today.

Pensioners take up new retirement certificates

BY MARTIN DICKSON

PENSIONERS took advantage of their entitlement to an extra £500 worth nf index-linked retirement certificates in December, according to Department for National Savings figures.

The increase in the maximum bolding from £700 to £1,200 at the beginning of the mnnth was responsible for the Retirement Issua's record monthly receipts of £150.6m. This performance contributed to total National Savings receipts of £329.5m in December, or net new investment of £130.7m after repayments of £198.8m. These figures includa accrued interest.

The other index-linked security, 3rd issue Save As You Earn, also showed an excess of receipts over repayments with a net intake of £9.5m.

On the other hand, a net ontflow of £27m was recorded from fixed interest National Savings certificates. The Department feels this could be explained by people planning to switch to the higher yielding 19th issue, which goes on sale on February 4. Substantial ontflows were also recorded by the National Savings Bank ordinary account and British Savings Bonds.

After the first nine months of the financial year 1979-80 net provisional receipts (including accrued interest) amount to £877.2m (£812.4m). The total remaining invested at the end of December was £12.5bn.

Northants drive to attract jobs

NORTHAMPTONSHIRE, a county with nne of tha fastest population growth rates in the UK, bas launched a £40,000 campaign to attract jobs.

Mr. Bill Morton, chairman of the county council's planning committee, said that the county would need another 32,000 jobs over the next six years, just to accommodate school leavers.

£1m site to 'stimulate industry'

BY RHYS DAVID

THE Greater Manchester Economic Development Corporation—set up last year by local authorities in the area to stimulate new enterprise—is buying a 77-acre industrial site at Bredhury for £1m in a joint deal with Stockport Council.

The site has been purchased from Christian Salvesen Properties, which acquired it through the takeover of Jacksons (Bredbury) Brick Works.

The corporation said yesterday it intended to start developing the site quickly, possibly in June or July.

Mr. Leslie Boardman, the general manager, said they would adopt a flexible approach and make sites available to industry for nwner occupation on a freehnld or leasehold basis.

Alternatively, units built by the corporation could be leased or purchased.

The site is almost 40 per cent of total available industrial land in Stockport, where demand for space is buoyant. The corporation expects little difficulty in attracting potential clients because the site enjoys very good communications.

It is within one mile nf a new extension to the M63 bypassing Stockport, and will bave its own access point nearby wben the next stage of the motorway is completed.

Under the deal worked ont with Stockport Council, the corporation will carry out all servicing of the land and will receive in return abont £500,000 towards the cost of infrastructure.

The corporation was launched last October with backing of £5m from Greater Manchester County. It has wide powers to assist industry with loans and grants or by acquiring, developing and managing industrial land.

The other major schema currently under way is a refurbishing of former weaving sheds at Prestwich. The project is being carried in conjunction with Mount Heath Properties at a cost of more than £1m.

It involves converting 200,000 sq ft of factory space into 14 separate units of varying size totalling 145,000 sq ft.

Miller's to shed jobs

TWENTY joba are to be lost by the end of the week at one of Cumbria's main shoe factories, and the rest of the workforce are to go on a nine-day fortnight.

Miller'a, which with 1,100 workers is Cockermouth's largest factory, blames the steel strike and uncertain trading conditions for the cntback. The lay-offs come only weeks after the closure of the Bata shoe plant, also a major part of the Cumbrian shoe industry.

Managing director Alan Miller said negotiations with the unions have already started

Inner-city revival vital—Shore

BY ROBIN PAULEY

FUTURE generations will face poverty traps, ethnic ghettoes, violence, and physical and moral decay unless the Government commits itself to a revival of inner cities, Mr. Peter Shore, the former Environment Secretary, said last night.

Mr. Shore, Opposition spokesman on foreign affairs, was giving the Thomas Cubitt Lecture on "Urban decay: its symptoms and remedies," at the Royal Society of Arts in London.

"There must be a commitment to resource and financial discrimination in the inner cities' favour for at least a decade ahead," be said. Only such action could supply the confidence needed to encourage investment.

Health services in the inner cities should be re-examined and a sensitive modification of regional commitments made in favour of inner cities.

The "modest" three-year programmes of cleaning and re-using urban land should be extended, and inner cities should have clear priority over tha rest nf their regions in industrial assistance, Mr. Shore said.

The involvement of local people in inner-city revitalisation should be carefully fostered.

In inner-city partnership programmes there should be a subcommittee for economic development uniting councillors, leaders of industry and commerce and officals from the Industry, Environment and Employment Departments.

Mr. Shnre said the controversial proposals to establish urban devlopment corporations for the London and Merseyside dncklands should be adopted only with the agreement of local authorities. An industrial and commercial development agency should be considered as an alternative.

The formal creation of the urban development corporations is expected in the Local Government Planning and Land Bill to be introduced into the Commons tomorrow.

All five Labour-controlled London boroughs concerned are vehemently opposed to the idea, although Liverpool City Council supports it.

Imposition of the corporations would cause dissension and delay, Mr. Shore said. The main objection was that they would have planning powers requiring tha revision of the Land Use Plan and the hold-up of new development until that was done.

To minimisa the delay a corporation would have power to impose its plans, while no public inquiry was envisaged before a Designation Order.

Sucb a procedure was bound to provoke hostility, Mr. Shore said. An alternative was an industrial and commercial development agency with specific functions, acting with the present Land Use Plan.

Ransome Hoffmann Pollard chairman

MR. JOHN ECCLES, who was mentioned yesterday as ona of the past candidates for the chairmanship of the Britisb Steel Corporation, is no longer chairman of Ransome Hoffmann Pollard. He vacated this post last year, bnt remains a non-executive director. The present chairman is Mr. David Ewart. The Financial Times apologises for tha error.

Maternity plea

THE SPASTICS Society bas called for the state maternity grant to be raised from the present £25, set in 1969, to £100 to compensate for inflation. It also wants the grant to be non-contributory, to make more women eligible.

Car production fall forecast

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE ECONOMIST Intelligence Unit forecasts that the number of cars produced in the UK this year *will fsll to 950,000, the* lowest level since 1957.

The unit'a latest Motor Business report, states this would also represent a fall of about 13.5 per cent on 1979 production, which came ont at ahout 1.1m and was more than 10 per cent down on the previous year's 1.22m.

"The sector is on the verge of being overtaken hy the Spanish motor industry in terms of unit output," the unit points out.

Last year's downturn in car production reflected industrial disputes at BL, Vauxhall and Talhot (formerly Chrysler UK) —Ford had e relatively dispute-free year — which prevented the msnufacturers taking full advantage of a very buoyant home market.

However, the unit forecasts that the new car market will fall by sbout 10.5 per cent from 1.7m to 1.53m in 1980 because the UK economy faces a difficult time.

"Businesses are going to face increasing liquidity pressures as the year progresses and this is certain to affect their capital outlays — especially for such items as cars...

"This squeeze will also he felt in the private sector where potential consumers—faced with rising inflation and pressures on incomes through higher mortgage repayments—will probably adopt a cautious approach to items involving major expenditure," the EIU comments.

Within the total of 1.53m, importers will continue to do well, the report suggests, and *account for nearly 60 per cent* of new cars registered.

"BL will need the Mini Metro and Bounty (its proposed Honda model) in order to stand still—let alone claw hack its lost position. . . . Short term, BL's position is decidedly sticky and we expect the company's market share to slip—probably to around 17 to 18 per cent. Improvements to existing model ranges, and notahly the Marina facelift *scheduled* for the *mid*-year, will help hut on their own will be insufficient to arrest a further decline."

Apart from problems in the UK, the British manufacturers' output for export is also expected to fall this year, by ebout 12.5 per cent on 1979's level to 350,000 cars.

The unit's forecast for commercial vehicle output this year suggests e 9.5 decline to 370,000 in 1980. Within the overall total, the output of commercial vebicles for export is expected to slip 2.5 per cent to 172,000.

The UK market for new commercial vehicles is predicted to sbow a 15.1 per cent fall in 1980 to 255,500.

In perhaps the one bright spot in the forecasts, the *EIU* states that the importers' shere of the new commercial vehicle market sbould *fall this year from* 22.8 per cent to 22.5 per cent.

Motor Business No. 100, Economist Intelligence Unit, 27, St. James's Place, London SW1A 1NT.

Tax delays and phone strike lift borrowing

By David Marsh

SIGNS THAT the public sector may overshoot its borrowing target this financial year have been caused hy delays in revenue collection rather than fundamental flaws in the Government's income and expenditure forecasts, according to Mr. John Biffen, Chief Secretary *to the Treasury.*

Slow payments of value added tax and delayed receipts of Post Office *bills* following the telephone strike had "frustrated" part of the *original* Budget calculations, he told a meeting of the bank end finance study group of the Operation Research Society yesterday. The public sector borrowing requirement for the year ending in March has been set hy the Government at £8.3hn, but estimates by City analysts are about £9hn.

Mr. Biffen, who at the weekend hinted at increased health *charges as part* of *the latest* programme of spending cuts, said it was impossible to say how long the Government's policies would take before they started to bring down inflation and increase growth.

Asked whether he feared the risk of allenating large sections of the electorate through the Government's tough policies, Mr. Biffen said that the Government must expect a period of unpopularity. This was a true test of a mature democracy.

... "Do not ask me to guarantee electoral salvation," he said. "I do not think I can do it — it would be playing false." The Treasury would publish a full public expenditure white paper in March.

Local authorities' commitment accounting cleared

BY ROBIN PAULEY

THE DEPARTMENT of the Environment has confirmed that it doea not regard the practice of commitment eccounting by local anthorities as necessarily bad and sees no reason to stop it.

Local authorities use commitment *accounting in an attempt* to ensure that they spend their full budget provision before the end of the financial year.

Technically, it means ordering shortly before the financial year-end and including the itams in the accounts although they have been neither delivered nor paid for.

It is widely used by local euthorities and probably also by ministerial departments, but has been the *subject of controversy* in Northamptonshire wbere a campaign by ratepayers bas forced the county council to abandon it.

The main argument against commitment accounting is that, apart from encouraging spending up to the budget limit—and hence justifying e larger budget next time—it also produces accoonts which are not true and fair and is not a practice allowahle *in commercial sector* acconnting.

The Northampton industrial *ratepayers* action group complained thet ehout £1.25m of liabilities were included in the county council's balance sheet submitted for audit wben they had not been received and wben no delivery notes or invoices existed.

As a result the county treasurer has stopped the prsctice and from Merch 31 "creditors will be defined strictly in respect of goods and services delivered" by that date.

The action group argued to the Department of the Environment that the practice should be stopped throughout the public sector because it was at *variance with accounting rules* and practices of commercial companies.

The department rejected *this* argument because of the rules saying that provision should be *made for all known liabilities* and that they should be included on the basis of expenditure incurred. But these rules apply to accounts intended to give details of profit and loss.

Local authorities were non-profit-making, did not pay tax, had no share capital and their income was not specifically related to services rendered.

The Chartered Institute of Public Finance and Accountancy (CIPFA) has endorsed the practice of commitment accounting where commitments are distinguished from liabilities and shown separately in the balance sheet.

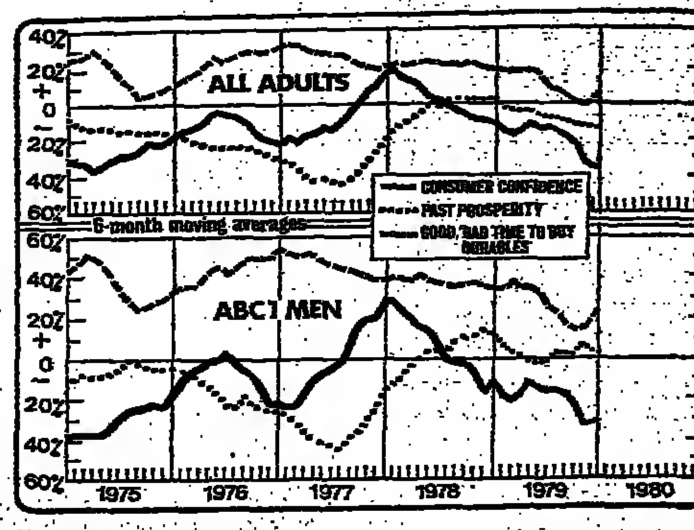
The Northampton *ratepayers* had argued that orders, where they concerned revenne items, were shown as expenditure in the year or years in question. "Thus, the balances to be carried forward are artificially reduced and it may be that the rates are fixed on a wrong basis when commitment accounting is used."

The department's reply is that rate fixing takes account not only of estimated income and expenditure hnt also of the estimated cash flow position. The ammount of cash required from rates in a year was not affected by commitment accounting.

FT SURVEY OF CONSUMER CONFIDENCE

Economic policy deepens pessimism over future

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT



CONSUMER CONFIDENCE shows no sign of recovery from the slump reached in the latter half of last year, according to the latest Financial Times Survey of Consumer Confidence published today.

Thesurvev shows that in early *January* consumers' confidence in the future of the economy slipped even further to reach minus 41 ner cent. Thia level of pessimism has only once heen exceeded during the past decade — during the 1975 economic crisis.

But the six-monthly index, which reflects the trend in confidence, has slipped to its lowest ever in the 10 year history of the survey. In January, the six-monthly *index was minus 36* per cent.

The January survey of more than 1,000 *adults shows that 53* per cent expect conditions to worsen, while 12 per cent expect *the economy* to improve. The halance thought it would stay the same.

This gives an index figure of minus 41 per cent, compared with minus 40 per cent last month. In January last year, at the height of the industrial disputes, the index stood at minus 27 per cent, while in May last year it stood at plus 9 per cent.

Steady fall

In fact, since the rise in confidence *during the General Election*, the index has steadily fallen back to its present low level.

Rising prices was again the main reason for pessimism in *January*, cited *by* 35 per cent of consumers surveyed. However, this reason was given hy *fewer pessimists* this month than in December.

The two areas of increasing *concern appear, according* to the survey, to be a belief that the Government's economic policies are *wrong* — cited by 19 per cent of the survey — and the increase in industrial disputes. This was given as the main reason by 18 per cent, compared with only 12 per cent last month.

Unemployment as a reason for pessimism has risen slightly —from 12 to 14 per cent—while just over a fifth of pessimists expect the trend is to worsen.

Of the few optimists in the survey, the only main reason for optimism was tbat the Government was pursuing the right economic policies. Almost half of those expressing optimism, however, simply gave the reason that "things must improve."

Analysis of the survey shows that the decline in overall confidence was due to a fall in optimism hy women of all social sub-groups. Middle-aged consumers—between the ages of 35 and 54—remain the least confident of consumers surveyed in spite of a sharp increase in their confidence level in January.

The gloom over future confidence was also reflected in consumers' opinions of how they stood in relation to a year ago. The index for past prosperity dropped a further two points to reach *minus 16 per cent. Some* 24 per cent of the survey felt better off than a year ago, while 40 per cent felt worse off. This makes the six-monthly index minus 14 per cent—lower than at any time in the whole of last year.

Discrepancy

Analysis of these figures show that the overall decline in feelings of prosperity can be most clearly felt in the C2DE (manual worker) social sub-groups. There is a very big discrepancy hetween white-collar workers and manual workers, according to the survey, with both men and women in the ABC1 groups (professional and executive) having positive indices, and both C2DE groups having negative indices.

In spite of the lack of confidence and feelings of prosperity, the survey revealed a sharp increase in consumers believing that this was a good time to buy durable goods. The "time to huy" index rose from minus 4 per cent last month to stand at plus 13 per cent in January. This puts the six-monthly index at plus 6 per cent —*compared to* plus 1 per cent last month — although last January the six-monthly index was at plus *19* per cent.

The rise in the index this month had been anticipated since the January sales are traditionally considered the time to huy *consumer durables* on special offers.

Unemployment

The unemployment index fell by 1 per cent to plus 34 per cent. This shows that some 45 per cent of consumers felt unemployment would increase, while nnly 11 per cent thought *it would decrease.*

An extra question asked this month found consumers almost equally divided as to whether their standard of living would rise or fall during the 1980s. Some 29 per cent thought it would rise, while 28 per cent thought it would fall. But the biggest group, 37 per cent, thought it would stay the same.

Of those expecting their standard of living to rise, it is noticeably the young (under 34) and ABC1 groups who are most optimistic.

● The Financial Times Survey of Consumer Confidence was carried out between January 3 and 9 by the British Market Research Bureau on behalf of the Financial Times. A sample of 1,047 adults was interviewed.

Treasury 'can aim high on money supply'

BY DAVID MARSH

THE TREASURY and the Bank of England should aim for money supply growth at the upper limit of their present 7 to 11 per cent target range, stockhrokers W. Greenwell says in its latest mooetary bulletin.

Inflation is now expected to peak at ahout 21 per cent in the second quarter of 1981. When the money supply target was set the official forecast was for a *peak* of 17.5 per cent towards the end of last year.

Because prices are rising *faster than* expected, money supply growth around the midpoint of the current target range would make the monetary squeeze coosiderably more severe in real terms than was originally intended, says Greenwell.

The bulletin says latest monetary data from the Bank of England indicates that underlying monetary growth since mid-June has not exceeded tbe 7 to 11 per cent range hy more than 2 per cent. The Bank should he able to sell enough gilt-edged stock in coming months to reduce mooetary growth below the upper limit of the range.

Favourable factors coming up include the *substantial* sales of gilt edged stock this month, the large sales of National Savings Certificates expected when the next issue hecomes availahle next month.

Silver melting 'should be halted'

THE GOVERNMENT shonld step in and stop the melting down of antique silver objects, the chairman of Pbillips, the auctioneers, said yesterday.

Mr. Christopher Weston said that in the silver and gold panic many people were selling irreplaceahle antique silver items. This was destroying the national beritage, and was short-sighted.

At Friday's *sale of* silver at Phillips items averaged around £15 an ouoce, higher than hullion silver prices—so anyone wanting to cash in on the silver boom would be better advised to sell through auction houses or antique dealers, rather than bullion dealers.

Mr. Weston was speaking at the opening of Phillip's new *Collector's Centre*, a *recently* acquired building next to its premises in Blenheim Street, London. It will be used for auctions of collectors' items as well as hooks and stamps.

SALEROOM

BY ANTONY THORNCROFT

A ceramics sale at Christie's yesterday brought in £61,183. The top price was £3,200, paid by the Paideia Trading Co. of Japan, bidding by telepbone for a Berlin plaque painted with a scantily clad Psyche. The price was three times that estimated. Marcello, the London dealer, gave £3,000 for a Sevres torquoise ground part dinner service, while Duncan Smith of London acquired a late Nymphenburg part service for £2,500. All items carry an additional 11.5 per cent buyer's premium and VAT.

At Sotheby's Russian works of art totalled £49,415, and the rush into precious metals was reflected in the prices. A silver gilt dessert service made in St. Petershurg in 1856 hy Nichols and Plinke sold for £3,600.

Oil-rich countries seek to preserve the value of their investments

BY OUR EUROMARKETS STAFF

A CHANGE in the investment policy of the oil-ricb countries in the new decade wes forecast by Mr. Roger Azar, cbairman of Azar SA, the investment consultants, speaking at the Financial Times Euromarkets in the 1980s conference. A smaller proportion of the overall surplus is likely to he invested in dollar instruments, while a lengthening in the maturity of fixed income securities will probably be sought.

At the sama time, larger investment than hitherto in high-quality equities of Western companies can be expected. *Furthermore*, greater investment flows can be expected to move into commodities. Commodities represent tha easiest way towards possessing real assets, are easily tredeahle and cen appreciate substantially. The speculative nature of such investment is no deterrent to very rich individuals who can weather temporary adverse price movements.

Argued

It is crucial that the West should be both willing and able to offer such participation, said Mr. Azar. For it is the responsihility of any government which takes oil out of the ground to invest the revenues in assets which preserve their value. This has not been the case since 1974, when the surplus countriea have watched the value of their assets held in the West *decline*, and the result is increasing internal pressure on the governments of such countries to keep their oil in the ground.

Mr. Azar argued thet members of the younger generation in the Middle East are now increasingly esking their rulers a very simple question. "Against what have you exchanged our valuable oil assets, and what, if anything, is going to he left for us?"

Mr. Norman Robertson, senior vice-president and chief economist of the Mellon Bank, told the conference that "the elusive American recession is at hand."

The impressive elements of strength in the economic outlook, not least of which is the coming build-up in the outlays ... he said, strongly suggest that the downturn will be mild. But beyond the near-term cyclical prospect of a dip in real gross national product lies an unsettled and uncertain prospect, dominated by the deep-seated prohlems of inflation, energy and productivity—and now tha dramatic rise in international tension.

He felt that monetary policy in the United States would not deviate markedly from its present course, although interest rates are still expected to decline in response to a weakening trend of economic activity. But because the recession will he rather shallow, and there is a deeply emhedded inflation psychology, coupled with little relief from douhle-digit inflation—to say nothing of the *external pressure* on the dollar —the magnitude of the interest rate decline will be limited.

He estimated thet hy the end of 1980 most U.S. short-term interest rates would he ahout 4 per cent points lower than they are today. This would mean a prime rate of ahout 11½ per cent and a 90-day CD rate in the neighbourhood of 9¼ per cent. This forecast assumes that in real terms short-term interest rates will remain *positive* throughout the year. Real bond yields are still negative, and he found it difficult to see the hasis for any major downward adjustment in long-term rates.

Looking at the prospects for the dollar, Professor G. W. Maynard, director of economics for Enrope and the Middle East for Chase Manhattan Bank, said that the dollar will "prohably show significant strength over the next few months, provided the international political situation deteriorates no further." He assumed that the American economy would experience a deeper recession than most of its competitors, and short-term interest rates would fall relative to rates elsewhere.

The existing large differential between U.S. and German interest rates therefore seems likely to be substantially reduced by the middle of the year. On this score, a weakening of the dollar might be expected, but a stable or strengthening dollar was not necessarily incompatible, with a relative decline in U.S. rates when the current account balance *is swinging* in its favour.

Taking a longer-term view, he *felt that diversification of currency* assets out of the dollar seems likely to continne. It is clear that the U.S. will not as a general rule sacrifice its domestic economic aims and objectives for the sake of maintaining a stabla international monetary system. This does not mean that the dollar will increasingly show a tendency to fall in value against other major currencies. On the contrary, he *believes* that "the U.S. economy remains basically a strong one."

The Bank of England has recently taken steps to monitor the exposure to country risk and the capital adequacy of UK banks more freqnently and on a worldwide basis, Mr. Nigel Lawson MP, Financial Secretary to the Treasury, told the conference *This was* part of the UK authorities' focus on improved techniques of prudential supervision to help ensure that the husiness of international bank lending was condncted on e sound hasis.

Consolidation

Mr. Lawson said that recent developments had undoubtedly reinforced concerns about international hank lending risk. Yet be argued that there was no easy, generalised solution. "At a time when still higher oil prices will impose further strains on the balance of payments of many countries, any abrupt reduction of lending, however caused, wonld only serve to increase the risks," he aaid.

He argued, however, that if the principle of consolidation was applied consistently by the supervisory authorities of the major banking centres, these principles should achieve e desirable constraint on those individual banks whicb are tempted to expand their international operations unduly, and would belp to keep the overall rate of growth of hank lending in *reasonable bounds.*

Dr. Irving Friedman, senior vice-president and adviser for international operations at Citibank in New York, expressed the strong view that he did not *expect any general crisis* arising out of LDC external debt. He pointed out that during the last 10 years, only *eight* LDCs had experienced serious difficulties in meeting their external financial obligations. Those eight countries accounted at present for $4½bn, or a total of about 2 per cent of U.S. banks' foreign currency exposure. "There are indeed very few developing countries, if any, whose threat to *repudiate* or defeult on debt payments would constitute a danger to the viability of the international banking aystem," he said.

Implications

Mr. Rudi Weissweiller, an independent adviser on currency matters, listed tha range of factors which influence exchange rates and which lie behind the current rise in the gold price. He adhered to his principle that "forecasting exchange rates is ahsolutely daft," but did *suggest* that "it is likely that the price of gold will exceed $1,000 an ounce and it is likely that it will go below $500 an ounce, and both within this year." He said he was concerned that "en awful lot of people are putting all their money into gold."

Professor C. M. Schmitthoff, professor of international business law at the University of Kent, spoke on the implications of the Iran crisis. In particular, he addressed the question of whether Iran's non-payment of interest on a loan, after President Carter's order to freeze Iranian assets in U.S. banks, *constituted* default. He suggested that an Iranian plea that Iran was frustrated in its obligation to pay would fail, mainly hecause the event leading to tbe freeze—the seizing of hostages—was self-inflicted.

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UK NEWS — PARLIAMENT and POLITICS

Bleak future for North attacked

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THE INDUSTRIAL and economic situation in the Northern region is "about as bleak as one could imagine" and the employment outlook there is "potentially disastrous," Mr. Ian Wrigglesworth told the Commons yesterday.

Labour's Civil Service spokesman, opening an Opposition debate on the problems of the North, strongly attacked the Conservative Government's regional policy.

At the moment, he said, there were 117,000 men and women without jobs in the region. That was a rate of 8.5 per cent unemployed, 55 per cent higher than the rate for the rest of the country.

"On the national forecasts that had been made we may be going up from 117,000 towards the figure of 150,000," he declared.

Mr. Wrigglesworth (Lab. Thornaby) said there was an urgent need for the Government to fulfil Labour's election pledge to set up a Northern Development Agency to co-ordinate industrial regeneration plans for the area.

The agency should have substantial initial capital to carry out the job promotion programme that was currently the responsibility of the Department of Industry and others.

He stressed that the idea for such an agency was supported by the CBI's regional committee in the North.

"What we want to see is a focal point for job creation in the region," he said.

The Government had done nothing at all to help matters—in fact by "rolling back intervention" in the regions it had made matters worse.

The national economic prospects were grim due to the Government's obsession with monetary policy. Industry was being punished by high interest rates and low investment.

In support of this, Mr. Wrigglesworth quoted a letter which he had received from the chairman of the Teesside Small Business Club.

This said: "May I say it is the consensus of opinion that the Government has not as yet done anything concrete for small business. On the contrary, the increase of bank rate had a terrible impact."

Mr. Wrigglesworth urged the Government to restore the level of grant to what it was under Labour. Proposals for obtaining more regional funds from the EEC should also be pursued vigorously.

There should be no departure from the policy of redistributing Government and public expenditure in favour of the needy regions.

Mr. Wrigglesworth argued that the country was still split into two nations, with the North suffering economic deprivation to an extent not fully appreciated in the South.

"There has always been a big gap between the regions and that is now widening."

In the North there were 10 unemployed people for every vacancy while in Great Britain as a whole the figure was only five people.

The Government was forecasting a drop in private and public investment in the coming year. There would also be a substantial fall in the growth of the economy.

All of this would come on top of the troubles created by the decline of traditional industries in the North.

Sir William Elliott (C., Newcastle upon Tyne N.) said that Labour's policy of public aid for the region had not solved the problem of unemployment. In fact, under previous Labour administrations unemployment had risen while under the Conservatives it had fallen.

The present Tory Government had been elected to change course on economic policy because the previous Labour Government had failed.

People had to accept that the country was going to have smaller workforces, particularly in heavy industries.

He emphasised the role of the English Industrial Estates Corporation in bringing employment to the North. The corporation now had 44 factories being built and these should be ready by May. There had already been considerable demand by tenants.

Moves to blackball European members

By Elinor Goodman

Westminster has been described as Britain's most exclusive club and some of its members are preparing to guard their privileges. MPs on both sides of the House are trying to ensure only the most limited Westminster facilities for Britain's 81 Euro-MPs.

The strength of passion among some MPs is quite incomprehensible to anyone who has not spent years trying to get elected to Westminster.

Grudging

The most generous proposal likely to win grudging majority approval is that the Euro-MPs should be treated like research assistants, and be allowed basic access to the Commons and perhaps to catering facilities in one of the House's many subsidised dining-rooms.

But even that would be too much for a vociferous minority of MPs. One long-serving Tory back-bencher says Euro-MPs should be appointed as temporary badge messengers, "to let them see how real MPs work."

At present, Euro-MPs are treated like any other member of the public. They have no passes to the building.

They want the facilities which they claim are necessary to do their job properly: free access to the Palace, especially its library facilities and preferably the freedom to sit in on back-bench committees.

Some also want access to the bars and others suggest that they should be given at least one room near the House which they could call their own.

This kind of talk upsets those MPs who believe that once they are in they will start demanding more and more privileges.

"Before you know where you are," one Tory said, "they'd be in the smoking room."

The matter is now being considered by the services' committee of the House. Later this month it will see representatives of both Strasbourg delegations.

But assuming the committee recommends any significant change, some MPs are bound to press for a full debate, probably with the support of the opposition.

Pecking order

Already, some MPs are arguing that a simple majority in favour of change would not be enough, just as in a club a minority of members would be able to blackball persons they disapproved of.

The dispute could exacerbate the already-strained relations between Euro-MPs and those at Westminster, a minority of whom regard the European Members as somewhere below parish councillors in the political pecking order.

Most Labour MPs also argue that conditions for Westminster MPs are bad enough without letting in the Euro-MPs.

Tory anti-Marketeers have been joined by constitutionalists in arguing against any change in the existing arrangements.

Roger Taylor and Hugh Routledge

NO. 10 TALKS: Mrs. Thatcher met both sides in the steel dispute yesterday. Left: Mr. Bob Scholey and Sir Charles Villiers. Right: Mr. Sandy Feather, Mr. Bill Sirs, Mr. Hector Smith.

Remedial help for Wales

BY IVOR OWEN

REMEDIAL measures to help the areas which will be hardest hit by the loss of 10,000 steel jobs at Llanwern and Port Talbot are being considered by the Government as a matter of urgency, Mr. Nicholas Edwards, Welsh Secretary, assured the Commons yesterday.

It became clear later that proposals under consideration by Ministers involve reversing earlier decisions to downgrade the status of the Newport and Port Talbot travel-to-work areas for regional aid purposes.

New facilities for industrial training and retraining covering a wide area of South Wales are also being considered.

Mr. Edwards strongly denied Opposition charges that Government policies were resulting in the de-industrialisation of Wales and warned that the one-day general stoppage by steel, coal and transport workers next week would only exacerbate an already difficult situation.

Following the lead of the Prime Minister, he stood firm against Labour demands, led by Mr. Denzil Davies (Lab., Llanelli) for a relaxation of the March 1980 break-even date set for the British Steel Corporation.

Mr. Davies, former Treasury Minister, described the March deadline as unrealistic. Its effect would be to destroy the Welsh economy and turn South Wales into an industrial wasteland.

The Welsh Secretary retorted: "I deplore the continued suggestions that these decisions—and I do not underestimate the consequences—will turn South Wales into an industrial desert.

"I do not believe it is helpful."

Mr. Edwards spoke of the encouragement he had gained from going round the industrial sites in Wales and seeing new companies getting established and others already operating successfully.

To talk of South Wales becoming an industrial desert was not a true picture.

Selective import controls to help the steel industry and the metal-using industries were urged by Mr. Dafydd Wigley (PC Caernarvon). Such a policy would save thousands of jobs and have little impact on prices.

Refusing to contemplate such a step, Mr. Edwards maintained that import controls would have "disastrous economic consequences" for Britain.

He also refused to accept Opposition charges that Government policies were responsible for Wales facing the highest level of unemployment since the 1930s.

He stressed that when the Government took office in May, the unemployment figures for Wales were already showing an upward trend.

At a time of world recession and economic difficulty he admitted, it was likely that unemployment figures would rise further.

Opposition divided on economy

BY RICHARD EVANS, LOBBY EDITOR

MR. DENIS HEALEY, Shadow Chancellor, clashed with Mr. Eric Heffer (Liverpool Walton), yesterday over the Labour Party's attitude to economic policy in general and incomes policy in particular.

The argument came at the meeting of the TUC-Labour Party liaison committee, called to discuss economic issues and to plan reaction to Government policies.

Mr. Healey complained that a Labour Party research document before the committee, which advocated import controls and the alternative "siege economy" failed to put up a viable counter-inflation policy.

Mr. Healey also argued that the Party and the unions should prepare a coherent attitude towards incomes policy, which the Party document had failed to do.

Mr. Heffer, a member of Labour's National Executive Committee, pointed out that the TUC's economic review, which was also on the agenda, had advocated import controls in certain circumstances, but had not mentioned incomes policy.

The clash underlined the continuing divisions within the Labour movement over economic strategy at a time when Labour leaders are anxious to present a unified opposition to Government policies.

Nevertheless, the committee highlighted the sharp deterioration in economic performance over the past nine months, whether measured by output, employment, investment, inflation, or the balance of payments.

The liaison committee is to examine further medium-term policies for the 1980s, particularly those which could stem the tide of de-industrialisation and increased import penetration. There will also be a joint statement presented on economic policy, following presentation of the budget on March 25.

Tories face pressure to reform Lords

By Elinor Goodman

PRESSURE for reform of the House of Lords is building up in the Tory constitutional committee. An informal working party is understood to have been set up, with the aim of reducing proposals which could be used as the basis of discussion within the party.

Supporters of reform will then try to get the debate going on the basis that if the Conservatives do not reform the Lords while in Government, Labour might abolish the second chamber altogether if returned to power.

Two sets of proposals seem likely to emerge.

Those in favour of radical change are said to advocate the replacement of the Lords with a second Chamber elected by proportional representation.

This would be anathema to many Tories, including, probably, the Prime Minister and many Cabinet members.

Rather than see the idea of reform dismissed out of hand, another group within the committee is advocating a more modest reform which would incorporate some of the hereditary peers and enable the political parties to continue nominating some life peers.

Opinion among this second group seems to be veering towards dividing the members of the second Chamber into a number of different categories.

A minority of seats would be reserved for hereditary peers. But the peers themselves would have to decide which of their number sat in those seats.

Another block of seats might be reserved for local government leaders — who would be elected in the normal local government elections—while the church judiciary might also be given guaranteed representation.

A final block of seats would be reserved for nominees of the various parties who would be selected as now, by the political parties. Once appointed, they would probably serve for life.

In Opposition, the Tory Party produced a number of radical proposals for reforming the Lords. But to the disappointment of reformers within the party, the manifesto made no mention of the constitutional committee for which they had hoped.

Instead, it stressed the necessity of a strong second chamber and left open the possibility of reform.

Nevertheless, some members of Mrs. Thatcher's Cabinet—notably Lord Carrington—may well try to persuade their colleagues that some action on this front is necessary.

Labour's self-appraisal starts

The Commission of Inquiry will deal first with issues uniting Left and Right. PHILIP RAWSTORNE reports.

LABOUR'S commission of inquiry today makes a belated start on its wide-ranging examination of the party's organisation.

The trade union leaders and politicians who will meet at the Commons are expected to turn their immediate attention to the party's most pressing problems—its declining membership and its scanty funds.

By focussing the inquiry on these issues first, the commission hopes to damp down the Left-Right struggle for power which has bedevilled its own establishment and threatened to nullify its work.

The controversial questions on which this struggle has so far centred—the reselection of Labour MPs, election of party leader, and control of the manifesto—will be pushed down the agenda.

Labour's "moderates" still have hopes that the Left-dominated National Executive may signal its willingness to compromise tomorrow by loosening a little the firm grip which it has so far insisted on maintaining on the membership of the commission itself.

Mr. Alex Kitson, the Left-wing vice-chairman of the party and transport union official, could be dropped from the inquiry, they believe.

Mr. Norman Atkinson, the party treasurer and another leading Left-winger, could be demoted to non-voting membership in tandem with Mr. Michael Cocks, the Labour Chief Whip.

The commission will thus comprise Mr. Moss Evans, Mr. David Basnett, Mr. Clive Jenkins, Mr. Bill Keys and Mr. John Boyd from the trade unions, and

Mr. Anthony Benn, Mr. Eric Heffer, Mr. Frank Allaun, Miss Joan Lestor and Miss Jo Richardson will represent the National Executive, and Mr. James Callaghan and Mr. Michael Foot the Parliamentary Party.

The Left thus retains a decisive majority—unless the trade union members act as a [illegible] group in support of Mr. Callaghan.

It is probably the prospect of just such a move that will today ensure priority is given to examining all aspects of increasing party membership and improving its finances.

Many trade union leaders have shown increasing impatience with the recent Left-Right bickering which has diverted the party from more urgent problems of organisation.

The commission, as its terms of reference disclose, has plenty of pressing problems to resolve.

It has to examine and improve the party's organisation for fighting elections, including the deployment of its full time staff and agents.

Reforms have to be considered to raise the level of political education, both in the party and the trade unions.

More controversially, the Commission is charged with reforming the policy making process of the party, making it more democratic and accountable.

This could include changes in the make up and agenda of the annual conference, in the membership of the national executive, and in every part of the party's organisation down to ward level.

It would involve the balance of powers between the conference, national executive and the Parliamentary leadership; and the crucial determining influence on the party's future election programmes.

Even if, as expected, it devolves much of its detailed inquiries to specialist panels, its programme cannot possibly be completed before the autumn of 1981.

In the next five months, it has to prepare an interim report for this year's party conference.

The exhaustive study that the rebuilding of party membership and finances needs will make it doubtful whether the commission can progress beyond these two issues by then.

The manner in which it deals with these priorities may determine its success later in resolving the potentially more divisive aspects of the party's structure.

LABOUR

Welsh TUC expects 200,000 to back strike

BY ROBIN REEVES, WELSH CORRESPONDENT

AT LEAST 200,000 workers will participate in Monday's one-day Welsh national strike against the steel and coalmine closures threatened in South Wales, Mr. George Wright, general secretary of the Wales TUC, predicted in Cardiff yesterday.

After a meeting of officials from 20 unions to complete details for this "day of action," Mr. Wright said a minimum of 100,000 in steel, coal and related industries would stop work for 24 hours.

At least 100,000 more, he said, would support the protest by striking for short periods or attending rallies in towns throughout Wales.

Mr. Wright forecast that the strike would halt the coal, docks, railways, road haulage and certain sections of the engineering industries.

It will be called off only if the British Steel Corporation agrees to abandon negotiations to increase its imports of cheap coking coal at the expense of British, mainly Welsh, coking coal.

The Wales TUC regards the one-day stoppage as a prelude to an all-out strike from March 10 in the Welsh coal, steel and transport industries, with supporting action from other parts of the country, unless BSC and the Government agree to a two-year postponement of the mass redundancies planned in the steel industry.

In Wales, BSC's programme involves halving of steel production and 11,300 redundancies at Port Talbot and Llanwern, plus probably several thousand more job losses in tinplate and other associated plants.

Combined with a switch to cheap imported coking coal, the National Coal Board has warned BSC's policies will result in closure of 21 collieries and loss of some 15,000 miners' jobs in the South Wales coalfields.

Welsh miners' delegates meeting in Bridgend yesterday gave unanimous backing to the Wales TUC strategy of opposition to these cuts.

Demands for earlier all-out action if BSC went ahead with its foreign coking coal purchases were met by assurances that South Wales dockers would continue to black coking coal imports until the issue was satisfactorily resolved.

Given the service and other industries in the region dependent on the coal and steel industries, there is widespread agreement that overall at least 50,000 jobs will disappear in Wales this year if BSC's programme is pushed through by August as planned.

Distribution of 100,000 Wales TUC leaflets began yesterday, urging support for the one-day strike and forecasting that without delay in the BSC cut-back Welsh unemployment would increase from 8 per cent to beyond 15 per cent next year, "making Wales the hardest-hit region anywhere in Europe."

"Service and local government jobs would also vanish as the effects of this contraction work on their way through our economy," it says.

The TUC General Council is due to discuss its approach in London tomorrow.

Water workers' pay talks to resume

BY PHILIP BASSETT, LABOUR STAFF

PAY negotiations for 33,000 manual workers in the water supply and sewerage industry, who have threatened a total strike over their claim for comparability with gas and electricity supply workers, will be resumed next week.

The unions made clear in their statement to the employers, the National Water Council, that they expected a favourable reply to their notification of their readiness to strike, or they would draw up detailed plans for the stoppage.

Though the employers' side has not yet formally discussed the unions' response to the original offer of 13.1 per cent—the council will hold an employers' meeting tomorrow on the unions' reply — officials were agreeing yesterday that the formal negotiations would not be resuming if there was nothing to put to the union side.

An improved offer is therefore expected to be tabled when negotiations resume on Monday. But the employers will still have to wrestle with the problem of funding improvements since any increase will take the package beyond the amount for pay and price inflations built into their cash limits.

In another public service development yesterday, union officials representing 250,000 National Health Service ancillary staff decided to put a 13 per cent pay package out to union members for consultation.

Final improvements were made to the offer yesterday on holiday entitlements before the union side agreed to put it to members.

The offer would give increases averaging 11.9 per cent on pay. Workers in the lowest pay band which with the next up the scale comprises the bulk of the ancillary staff would move from the present rate of £47.28 to £53.07, with a further £1.38 due in April from the second stage of the Clegg comparability commission's award to take the rate then to £54.45.

Those on the highest pay band would move from the present rate of £61.32 to £69.81, backdated, as with the whole offer, to December 13, and then to £73.17 on April 1 with the £5.36 due from the Clegg award.

The present service supplements have been subsumed into service days under the offer to give improved holiday entitlements. Staff with 12 months' service would be entitled to 19 days holiday, those with five years' service 23 days and with 10 years, 24 days.

The offer also increases the payment for rotating shifts by 5.6p an hour and for alternating shifts by 3.5p an hour. Other allowances would also be improved.

Post unions fight to keep board places

By Nick Garnett, Labour Staff

UNION REPRESENTATIVES have told the Post Office that they are dissatisfied with the proposals put forward by management to replace the scheme of worker-directors on the main board, which is to end with the corporation's restructuring.

The unions suggest a basic continuation of the principle of worker-directors for the two new boards, for Posts and Telecommunications, with fewer members on each board, set up as part of the splitting of the Post Office into two corporations.

Sir William Barlow, the Post Office chairman, was apparently unimpressed with the arguments of the unions in support of union officials serving on the new boards.

Management has proposed setting up national joint policy councils for both Posts and Telecommunications which would operate below the main boards.

Union representatives would sit on these councils, which management says would provide as much scope, or more, for staff to influence major board decisions.

The unions say that this falls far short of the consultative system under the two-year worker-director experiment, which involved seven trade unionists and two consumer members on the board.

The Post Office sent a letter yesterday to telecommunications unions on industrial relations proposals, one of which is to send emergency estimated telephone bills in any stoppage of billing work.

Meccano workers decide to continue occupation

BY GARETH GRIFFITHS, LABOUR STAFF

THE MECCANO workforce in Liverpool gave their approval yesterday to a joint trade union and management working party which will consider outside bids for the plant, and also voted overwhelmingly to continue their two-month-long factory occupation.

A mass meeting attended by two-thirds of the 940 employees called for much greater detail on Airfix Industries' plans. Shop stewards said the terms offered were too vague and the meeting rejected suggestions that the workforce should have the option of immediate redundancy payments.

Mrs. Pat Turner, General and Municipal Workers' Union National Officer, said last night that fresh talks were planned between union negotiators and Airfix tomorrow. The company had accepted union demands that the occupation of the plant should be included as part of the 90 days statutory notice. There would be no legal action taken against the sit-in until February 28.

The working party had six weeks to find an alternative buyer for the plant before the 90 days ran out, she said. While the union side has given up hope of preserving all the jobs, it will press for a solution that would save at least 400.

Mr. Mike Egan, the union's Liverpool district officer, indicated yesterday there could be some sort of trade-off between the unions and the Maharishi Yoga's Transcendental Meditation movement.

The Meditation group, which has shown interest in buying the plant, is against the closed shop arrangements at the factory, and there have been union reservations over compulsory meditation. Some kind of deal could be arrived at, Mr. Egan said.

Shop stewards at the plant said they now wanted figures about the scale of redundancy payments. The Employment Department is still with-holding redundancy payment rebates from Airfix Industries because the reasons it gave for closure were not good enough for breaking the 90-day rule.

Shell drivers to ballot on pay offer

SHELL SHOP stewards decided yesterday to put out to ballot the company's last pay offer to its tanker drivers. A further delegate meeting has been arranged for next week to assess the vote.

Shell has now withdrawn the productivity conditions attached to the lump sum payment of £150 which is one of the elements of the offer. The proposals give a 17.95 per cent increase on basic rates and other improvements worth an estimated 22 per cent over the year.

BLUE CIRCLE

BLUE CIRCLE industries yesterday denied it had any "present intention" of closing the Magheramorne cement works, Larne, Northern Ireland.

But the company said it could be forced to close the works "if the present action by some workers continues." An unofficial dispute by a section of the labour force has stopped production.

Dock craftsmen go back

BY OUR LABOUR STAFF

CRAFTSMEN employed by the British Transport Docks Board in South Wales ports returned to work yesterday after national union officials intervened over a grading and job evaluation dispute.

Normal work at Newport, which had been the worst affected port, was resumed, but local union officials said there was still resentment against the scheme. Officials from the Electrical and Plumbing Trades' Union, the National Union of Railwaymen, the Union of Construction, Allied Trades and Technicians and the Transport and General Workers' Union met the board's management

BL vote next month

BY ARTHUR SMITH

THE RESULT of the pay ballot of BL Cars 90,000 manual workers is expected on February 12.

Voting slips will not go out to the homes of workers until February 1 in order to give the unions and management time to campaign on the issues.

The ballot, called for by the unions, will be conducted by the Electoral Reform Society and the cost of about £25,000 paid by the company.

BL Cars has offered most employees a 5 per cent increase plus the chance to earn up to an extra £15 a week under a self financing incentive scheme.

The unions are recommending rejection.

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MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

'Them and us'

"THERE ARE not many enlightened managers abont, bnt there are a hell of a lot of enlightened shop stewards" —thus, needless to say, a trade nnionist, speaking on last night's edition of "Panorama," the BBC-TV current affairs programme.

Panorama'a idea was potentially a good one—take 22 peopla (half union members or officials and half managers), throw them into a bowl, let them mix, and sea if they can sort out the infamous "Them and Us" prohlems of Britisb industry.

The producer had found the nnion participants easily enough but the managers needed rather more persuasion, probably because they realised that thair views would be well noted by their own workforces.

The 22 spent three days last November in concentrated discussion at a former stately home in Warwickshire which is now a residential centre. The days were divided into unstructured sessions, all under the watchful eyes of two behavionral acientists: the evenings, to everyone's apparent relief, were frea.

Though the exercise eventually produced at least one plus point, each session seemed to cover the same old gronnd, with both sides occopying the same entrenched positions, and spouting the phrases and opiniona that we have all heard so often before.

A manager spoke of the unions forever harking back to the indnstrial revolution, and was immediately rewarded with talk of the conditions in 1824. The unlonists wanted more power to influence decisions—it was all very well being involved in long term planning agreements, but not to discover from the newspaper that the ownership of their company had suddenly changed bands.

Half way through the experiment, the frustration was nhvious; the participants were depresaed at "the lack of trust" between them, at the "lack of common ground" and because there were "no positive suggestions." In the evening they all took themselves off to the pnh, where the mateyness was striking—they were not disgussing industrial relations.

Next day things could only get better.

Ian Hnsband, the technical director of a food processing company in Carlisle, emerged as the catalyst. He it was who tried to hring the discnssion back to the personal level: "How did we get to the paint where we think we're rigbt? The difference between us is I bloody well am right. Because I'm from both sldes." A socialist manager from a working class background in Glasgow, he believed that people, whether from the management or the shopfloer, were basically the same.

When the discussion came round to feelings of inferiority and superiority (class and otherwise), David Garnett, who runs his own business and holds a Queen's Award for export achievement, explained that he felt inferior when he tried to win orders for his company in Germany. The British were handicapped by the German belief that even if they got an order, they would never meet delivery.

Resentment was a word whicb figured large: of executive lavatories; of the hierarchy of graded dining rooms; of car parking spaces with names on. Rolls Royces, large mansions and swimming pools were not resented if they had been earned through personal endeavour, but managers wbo felt that their status entitled them to perks were.

By the end, and probably because they knew they were near to going bome, everyone had mellowed. There were still of different opinions though they had begun to understand each other. Bot Ian Husband, who all along had advocated that fundamentally everyone was the same, had cbanged his mind. "The realisation has come to me," he said, "that we're not the same after all. The management is employed to employ the workers. That'a tbe difference."

The programme produced no new answers. Nor was its more than douhle-length format (two hours) justified. But the gradual erosioo of the abrasiveness shown towards each other by the participanta was certainly a valuable object lesson.

"How could we arrange a similar cobesive group within the workplace?" someone asked. This is where industry could learn from Panorama—and from those companies which have already mounted a similar exercise: select a cross-section of the workforce, from all sectors and departments, take them away for a few days during the week (don't expect them to give np their free time), and let them expound on what they think of the way tbeir company works (or not). Don't necessarily expect them to solve a particular issue or transform an nnhappy sbip overnight. But useful groundwork will have been done.

Christine Burton

Kenneth Gooding reports on the car giant's activities in Brazil

VW steers in new directions

IN ONE of the oddest diversification projects a car manufacturer has yet attempted, Volkswagen is adding beef to its Beetles in Brazil.

A Volkswagen do Brazil subsidiary has acquired a large area of Brazilian forest at Santana de Araguaia in the State of Para not far south of the Equator. About half the zone will be cleared to provide a range for around 110,000 head of cattle, the rest will be left as natural forest so as not to npset the ecological equilibrium too much.

As you migbt expect from VW, when the project is ready, probably in 1985, breeding will be done in a methodical and extensive way. The cattle will be divided into groups "divided along the basis of function, age and sex." The breeding grounda will be divided into eight administrative areas and these, in turn, into 15 smaller pastures.

In fact, each of the eight areas will be a farm in its own rigbt, with 3,400 head of cattle, a complete corral, a materials depot, pbarmacy, houses for herdsmen, a shed, water tank and communicationa equipment.

The administrative headquarters for the project will include a hotel, school, hospital, doctors and dentists, air strip with hangar, garaga abeds, workshops, vehicle maintenance workshops, a supermarket, a complete laboratory with a veterinary pharmacy and so on.

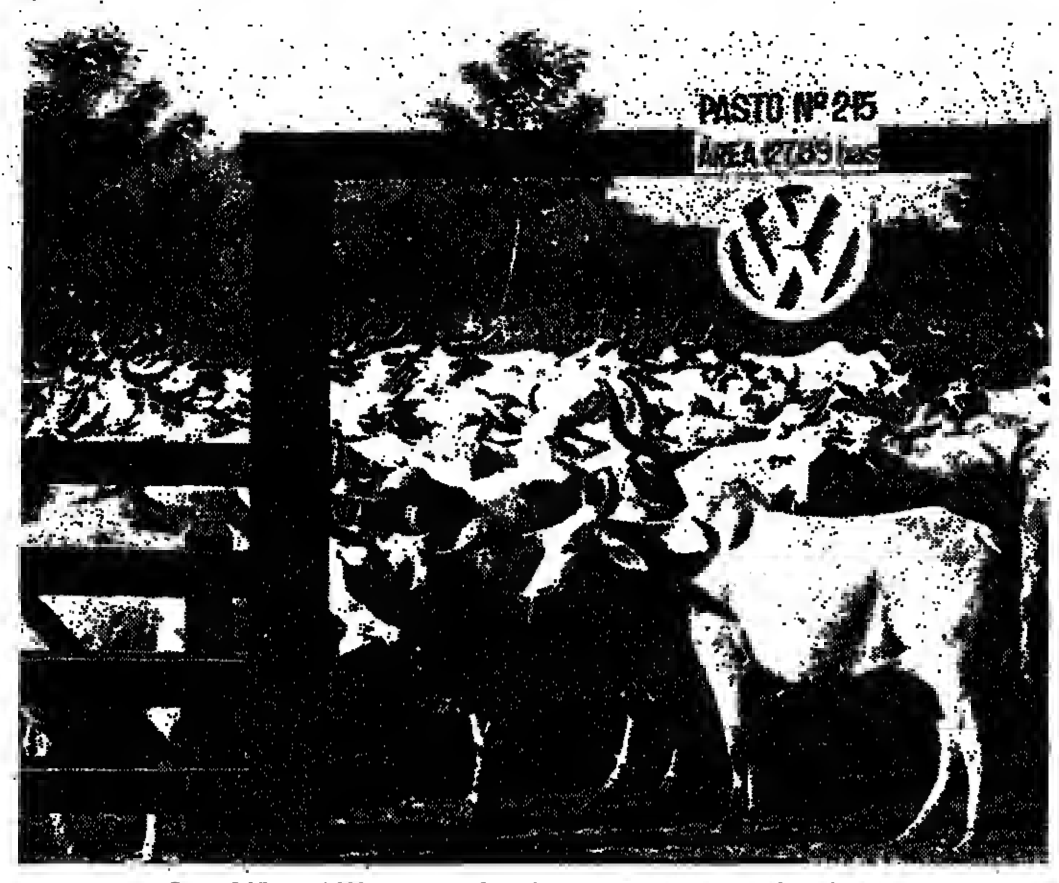
VW do Brazil has also linked with 10 other cattle breeders in the area to set up a slaughter-house and cold storage business (VW has a 20 per cent stake). This US$50m establishment will be able to handle 150,000 head of cattle a year (600 a day) and, apart from its slaugbtering capability, will have cold storage units, deboning, canning and tanning oparations.

The cold atorage facilities sbonld he ready in the aecond half of 1981 while those for canning and tanning should come on stream by 1983. Some of the meat will he exported to Europe.

Tbe cattle breeding project originated in 1973 wben the Brazilian Government was attempting to persuade businessmen to help open up the Amazon basin. Tempted by the financial incentives, VW do Brazil set up tbe Companhia Vale do Rio Cristalino, a company in which it has a stake of around 80 per cent.

So far more thao $US100m bas heen spent clearing extensive areas of pasture. The herd is already 22,500 strong. The infrastructure is developing nicely, too, with over 100 kilometres of roads and a mass of bridges and dams. Over 200 people bave heen taken on so far.

VW do Brazil had other good reasons for considering this straoge diversification apart from the fiscal incentives. In some waya its problems were aimllar to those of its parent in West Germany.



Part of VW's 22,000 strong herd at the Companhia Vale do Rio Cristalino

It had a large share of the new car market in Brazil—thougb less tban a decade ago—and the car manufacturiog husiness was geoerating more money than it could fruitfully reinvest. And, altbough VW is allowed to repatriate to Germany an annual divideod of up to 12 per cent, the Brazilian government insists that anything more ls penalised quite severely.

Not that there bas not been befty investment in the car husioess itself. In 1972, having decided it would be uneconomic to expand its complex at Sao Bernardo do Campo, oear Sao Paulo, any furtber, VW do Brazil acquired a site 1,300 miles away.

By the end of 1971, the Sao Bernardo plant, known locally as "Volkswagen City," was employing over 27,000 people and making more than 1,250 cars a day. The physical prohlems of gettiog people and vehicles in and out were already beginoing to tell. Most of Brazil's automotive manufacturing activity takes place in the Sao Bernardo area, known as "the Detroit of Brazil."

So far around $100m has heen spent developing the second site, Taubaté. It is about three times as large as tbe one at Sao Bernado but it differs in not being surrounded by a huilt-up area and other car and truck plants.

VW's Brazilian business is also responsible for developing its own new models. The first results of this effort were seen in 1973 with the introduction of the Brasilia, a car with a modern, hatchhack sbape but wbich is really a Beetle under the hody shell.

Recently VW's Brazilian market share was badly dented by Fiat, which lntroduced a version of its 127 in 1975—called the 147 in Brazil. The Italian group had previously lcft the Brazilian market alone under tbe terms of a 1953 agreement between the two companles which allocated Argentina to Fiat and Brazil to VW.

And the General Motors' Chevette also bad an impact. As a result, VW's share of the new car market has slipped steadily from a peak 67 per cent in 1968 to around 45 per cent.

However, turnover and profit have cootinued to advance, respectively reaching Cruzeiros 40.6bn ($922m) and just under Crs. 4bn ($91m) in 1978.

To combat the attractions of the Fiat 147 and the latest GM "world car"—known in Europe as the new Kadette, and expected to arrive in Brazilian form by late 1981 — VW do Brazil has developed its owo front-wheel drive model, code named tbe "BX," which will be launched in May this year.

The shape of the BX, by all accounts, follows that of the Golf pretty closely. But the surprising technical aspect ls that it will be powered hy the dated 1,300 cc air-cooled engine used in the Beetle, "modified and improved," according to VW.

VW do Brazil's marketing people have decided that it would not be reasonable to expect their costomers whole-heartedly to accept not only a new shape but also a new engine at the same time.

The BX, to be made at Taubaté, will undonbtedly take some sales away from the Brasilia, which at ona time looked as if it migbt overtake the Beetle in popularity even though the Beetle at Crs110,000 (roughly $2,500) is the cheapest new car available in Brazil.

VW is currently producing about 1,260 cars a day, about half Beetlea, the rest Brasilias and Passats. Local content is about 99 per cent, with components and raw materials hougbt from around 4,000 suppliers.

VW do Brazil's ls one of the country's major exporters, sending products to 50 countries. About 64,000 cars a year are exported either fully built up or as kits; the biggest market is Nigeria.

Like other major companies in the country, VW has commited itself to an export target under the Brazilian government's "BEFIEX" plan. In 1973, when the commitment was given, VW said it would export $1bn of products in tan years. This was increased last April (for tbe same ten-year period) to $1.5bn.

In return for this, the Brazilian Government permits VW to import essential plant and equipment without the heavy duty payments that it would otherwise attract.

Although there is some element of "export or else" in the Brazilian Government's approach, VW in Germany is making the best of this coercion and has been fitting VW do Brazil into its plans to become a "world car" manufacturer.

VW do Brazil exports engines and gearboxes for the Passat to Germany and the U.S., and Golf engines to Germany. It is therefore a vital link in the VW group's component supply chain around the world. Since Septemher 1974, when production of "world class" major components hegan, the Brazilian company has shipped out around over balf a million engines and even more gearboxes.

The most recent investment in Brazil by the VW parent group Involved the acquisition of the Chrysler manufacturing business last March. No price has been mentioned officially but a figure of $50m has been widely quoted in Brazil. The deal was important for VW in that it provlded a venture in the truck business—a natural diversification route but one that is proving rather difficult to follow.

Throughout its worldwide empire, VW has so far made only light commercials, but has now joined forces at home with MAN of West Germany, manufacturers of beavy trucks, to produce medium-weigbt vehicles which will be marketed througb jointly-owned businesses in Europe.

In Brazil a former Chrysler plant will be converted to produce the VW-MAN six to nine-tonners. These will incorporate as many suitable Dodge components as possible, including a Dodge V8 engine modified to run oo pure ethanol. (Like all tbe Brazilian manufacturers, VW is involved in producing cars to be powered by ethanol under the provisions of the government's "pro alcohol" policy, though output is still very low.)

Chrysler [illegible] roducing abont 2,500 D[illegible] trucks a year in Brazil (compared with a capacity of about twice that level) aod 12,000 cars. Output of Chrysler cars will probably continue until demand falls below ecooomic levels. Most of the models are big cars and do not compete with VW.

Rather more aurprlsingly, VW is thinking aariously about diversifying into the low-cost end of the vebicle busioess. It has been looking at the prospects for a joint development with Steyr-Daimler-Puch of Austria to make around 100,000 mopeds a year in Brazil, and perhaps even include capacity for pedal cycles.

Peugeot previously tried its luck with a plant in Brazil which had a sizeable capacity to make mopeds and cycles. But output never reached half of capacity and Peugeot gave up the project as a had joh. Whether VW goes ahead with the moped project dependa a great deal on the kind of government incentives it might attract.

Meanwhile, the news about the Beetle is that it will remain in production in Brazil—where the last surviving examples are manufactured—for at least another five years. VW do Brazil has just completed its latest five-year plan and the Beetle has an important part to play througbout.

Technical News

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● COMMUNICATIONS

Fault-finding by telephone

ALTHOUGH REMOTE fault diagnosis haa been employed by several computer makers, Digital Equipment Company is to implement a system whieb it claims is unique ln that the diagnosis itself is conducted entirely by a computer which "inspects" the faulty mini at the other end of a phone line.

A diagnosis centre has been set up at Basingstoke, Hants, for the UK and another is to be deployed at Valbonne in the south of France to cover continental Europe.

Some $6m has been pumped into the project and in the U.S. about 1800 customers, mainly with PDP 11/70 and VAX machines hava already been connected to centres. In Europe the company expects to connect new customers at the rate of 100 per month, the total rising to over 10,000 within the next five years.

There is to be no extra cost to users of 11/70 and VAX 11/780 machines supplied and maintained directly by the company. Facilities are built in to the latter and the former will be modified with a console containing appropriate circuita. Even the phone call—which can be anything from 15 to perhaps 120 minutes, will be free.

Diagnosis is down to major component and board level, enabling the service engineer to go to the site with the right spares and with a clear picture of what is wrong. The company believes that customers' down time will be reduced while its own service scheduling can he much more precise. Experience shows that 30 per cent of the faults can he dealt with over tha pbone straight away and a 90 per cent success rate is scored with the remainder.

For the user, the task consists of no more than using a local charge Freephone number for connection to Basingstoke. After some routine identification and checking routines the diagnosis routine is worked through and everything ls logged so that a file on each customer's machine is built up, making any later diagnoses even more effective since the history can be referred to. A diagnostic specialist at the centre monitors the routine and when the fault becomes apparent he rings the customer's local service office and indicates wbat will be needed on the visit.

To carry out the work DEC is employing two PDP 11/70s (100 per cent redundancy) with a pair of 11/04s for auto-dialling.

Customers with 11/70s will have the front panel replaced by a microprocessor-based console. It works straight into a Post Office Datel line using a Modem 2B.

All future higb-end and medium range processors introduced by the company will have these diagnostic systems built in. The company helieves that the trend is inevitable, even if the cost of machines is increased es a result; with hardware costs dropping continuously in real terms, the cost of a machine is in any case not the key feature but system availability seven days a week is.

Servicing is also becoming more expensive in its conventional form since it is labour intensive, while at the same time fuel costs will have a serious impact on the use of vehicles.

Meanwhile, the cost of communications lines in real terms will tend to move downwards.

As the public packet switching networks start coming into use, transmission speeds will rise from today's 300-1200 baud up to 9600 baud. Furthermore, the prospect will then arise of paying for line time only exactly when needed—using packets. Faulty machines could be polled and attention paid to them only as necessary.

Among pioneer users (there are about 30 in the UK already) are The Chemical Bank, London, Rio Tinto Zinc, Bristol and British Ropes ln Doncaster.

UK general manager of DEC, Darryl Barbe, believes that these kinds of technique will aoon be widespread in the data industry. Similar techniques are coming into use for remote fanlt finding in talaphone exchanges and ultimately it seems likely that many kinds of industrial product, increasingly themselves controlled hy micros, will he fault diagnosed in this way.

More from Digital House, King's Road, Reading, Berks (Reading 583555).

GEOFFREY CHARLISH

● ALUMINIUM

Packaged extrusion plants

A VOYAGE to the U.S. by London-based aluminium specialist Ian Blackhurst has resulted in the introduction to the UK of a new cost-cutting method of extruding aluminium.

Traditionally, Britain bas relied on a nnmber of highly expensively-equipped large extrusion plants to produce items in extruded aluminium, and it is common for a company specialising in, say, the supply and fitment of double glazed windows to have the frames made and cut in such a plant. Such a company would almost probably own sole copyright to the shapes from which its aluminium products are produced.

Mr. Blackhurst realised that this sub-contracted process was wasteful because hig presses often squandar energy on small jobs which, added to the cost of transport and multi-stage handling, dissipate much more fuel and manpower than is necessary.

He returned to this country and formed Indirect Press Tecbniques which provides a complete aluminium extrusion service to companies wishing to produce their own extrusions—and so cut operating costs.

Using the I.P.T. process, offered as a leased package, every small item in aluminium should now be much cheaper to produce.

It is viahle for companies using upwards of 700 tons a year (whose savings are promised to be hatween £160,000 and £300,000 a year) and includes the supply of all machinery, complete installations and comprehensive training of staff (one machine will usually require a labour force of nine); help with buying of aluminium billets, continuous mechanical maintenance, and full advice and aid to companies wishing to jointly share an IPT extrusion process.

Tbe need to conserve energy means a wideniog use for aluminium products, says the company, and these could now get cheaper when thia new-to-the-UK process is adopted by the makers of window frames, doors, garden furniture, laddera, sports eqnipment, vebicle trims, etc.

With the installation of an Impress Extruder in their own factories companies are promised dramatic cutting of purchasing costs (aluminium extrusions are currently purcbased through an extruding company), increasing working efficiency, and the continuance of production unaffected hy outside influences.

IPT, 174 Honeypot Lane, Stanmore, London HA7 1EQ (01-204 7343). DEBORAH PICKERING

● HANDLING

Prevents silo blockages

PROMISING to prevent a blockage of powdered or pulverised materials in storage silos is an airgun unit now availahle in the UK from Accrapak Systems, Taylor Industrial Estate, Risley, Warrington.

An effective solution to the problem of arching or "ratholing" of material often occurring near the silo outlet is said to be provided by the Bivika air gun which can be easily mounted on the cone of the ailo interior to ensure a steady flow of material at the discharge point.

The amount of air required for operation is only 7 litres a minuta at seven atmospheres, but this ia sufficient to prevent time-wasting silo blockages, assures the company.

Unit is controlled by a four-way solenoid valve which receives a signal from an electric timer. A single control unit can be used to control several air guns mounted on a silo, and the number of these air guns required for a particular installation will depend on the shape of the ailo and the type of material being handled.

● VENTILATION

Guide to equipment

A HANDBOOK on suitahle ventilation plant for rubber and plastics processes, together with sufficient technical information to enable company staff to design, commission and supervise the installation of ventilation systems, has been compiled by the Ruhber and Plastics Research Association in association with the Building Services Research and Information Association.

Price is £8 (RAPRA'a UK members) or £9.50 (UK non-members), and $25 to overseas customers.

● COMPONENTS

Cheap way to control a motor

MULLARD engineers have developed what is said to be the first really cost-competitive design for a system of ac motor apeed control using pulse-width modulation.

For most purposes, especially at power levels up to 50bp, pulse-width modulation bas net so far heen an economic proposition. Howeyer, engineers at the Mullard Application Laboratory have built a PWM synthesised sinewave system which exploits a purpose-designed micro-controller and other advanced components, now in production at Mullard.

The Mullard solution provides sinusoidal motor currents and full torque from crawl to top speed. It uses standard induction motors and its cost is low.

Mullard, Torrington Place, London WC1E 7HD. 01-580 6633.

● COMPUTING

Aids estate agency work

INSTALLED by Birmingham estate agents, Shipway, Doble and Earle, a new system will bandle regulations introduced by the Royal Institution of Chartered Surveyors.

Named PROMIS (an acronym for PROperty Management Information System), it is heing marketed by Geest Mini-computer Systems to estate agents in Britain.

It provides Shipway, Dobla and Earle with on-line computer facilities which exactly match needs. In Shipway's case the system runs on its own computer, hut it can eqnally well operate through a computer bureau.

Based on a master file and a tenancy file, the service takes account of the estate agent'a clients, propertiaa and tenancies, and loan, investmant or surety information.

The tenancy file containa information to trigger the raising of demands for tha payment of rent, ground rent, rates, insurance, etc.

The information which can be provided from these two files cuts out a large amount of the routine paperwork which bedevils estate agents. Moreover, because the computer works in "real-time" files can be kept up to the minute.

The aystem also produces a wide range of management reports essential for the profitahle management of a modern estate agency.

Geest Computer Services, White House Chambers, Spalding, Lincolnshire PE11 2AL. 0775 61111.

● ELECTRONICS

Power conversion circuits

CONTAINED within a standard 24 pin dual in line package from Gresham Lion are complete dc to dc power conversion circuits.

Availahle with five or 12 volt inputs, the devices can he supplied with five possible output voltages including five, 12, 15, ±12 and ±15 volts.

Called Gemini 600, these one watt units will fit standard integrated circuit sockets and printed hoard drilling patterns and can be assembled economically and quickly. They are suitable for automatic insertion techniquea and can he flow soldered after insertion.

High reliability is claimed for the units—a minimum mean time between failures of 100,000 hours — and the operating temperature range is −25 to 70 deg. C. Load regulation is only 150mV from zero to full load, while output ripple is a maximum of 30mV peak to peak.

More from the company at Twickenham Road, Feltham, Middlesex, TW13 6HA (01-894 5511).

JOBS COLUMN, APPOINTMENTS

National hunt for unusual chief executive

BY MICHAEL DIXON

AS ONE whose only mount has been a bicycle, I rather bridle at a certain form of verbal imagery, which, among job advertisers, seems to be a favourite means of expressing desirable managerial qualities.

Since many good managers must come from much the same stock as myself, I suspect that any recruiter who assumes that this imagery will necessarily attract or even be understood by capable candidates, must be riding for a fall. The imagery to which I refer, is typified as follows:

"Wanted: odds-on thoroughbred with classic track record—strong finisher, and with good staying power when the going is rough."

Ordinarily the Jobs Column shies away from such tawdry metaphors. But readers should be warned that I may stray off course in discussing today's first job which, as managerial posts go, is something of an outsider.

The opening is being offered by recruitment consultant Richard Mooney, of Spicer and Pegler. It is for a managing director who is wanted in the horse-racing centre of Newmarket by a bloodstock agency with a reported turnover of towards £3m. Mr. Mooney may not name the employer, which is a privately owned company. He therefore promises to abide by any applicant's request not to be identified to the company until permission is given.

The recruit will be responsible through the chairman to the Board of the group, of which the agency seems the principal operation. The newcomer's domain includes departments engaged in four main kinds of activity.

First is broking of—as distinct from breaking in—fine horses. The second department combines what Mr Mooney describes as "stallion services" with insurance and shipping. Third is the administrative department, led by the manager/accountant. The other activity is dealing in saddles and associated equine supplies.

As well as developing these activities, the incoming managing director will be expected to extend the business. The Board considers that a suitable line of expansion would be into other branches of the high-price, high-return investment market such as fine art.

The kind of experience thought necessary is broking and financial investment work of some sort, which has developed skill in "middleman" negotiating of business deals and the ability to manage 30 to 40 staff. First-hand knowledge of property, commodities and insurance would help.

If candidetes are familiar with the marketing of bloodstock, they will obviously have a strong advantage, and experience in farming or horse-racing would certainly do no harm. But they must not be gamblers.

In addition, Richard Mooney says, applicants need to be personable with "a commanding presence of strength without abrasiveness." I take it that he means that the new managing director must not go at the job like a bull in a china shop. The age indicator is about 40-50.

Rewards include a profit-share or bonus based on results, plus basic salary negotiable from £10,000 to about £17,000. Other perks include car, and there is a prospect of share-purchase. Mr. Mooney is hoisting the starter's flag right at this minute at 3 Bevis Marks, London EC3A 7HL; telephone 01-283 2683, telex 884257.

Prontaprint pair

SINCE northern entrepreneur Edwin Thirwell began his Prontaprint business in the franchising of small shops offering printing services, his managerial span has expanded greatly. Added operations include a contract cleaning business, a computer company, and a property agency. The Prontaprint franchises, whose customers tend to be small-to-medium sized companies, are said to be growing strongly.

Mr. Thirwell now intends to move from the UK headquarters some 10 minutes from Tees-side Airport and move abroad to build on overseas links already established in Canada and South Africa, not to mention the Channel Islands. In doing so, he will take on the sole title of chairman, and he is therefore in need for someone to replace him as managing director of the Prontaprint group.

This job is one of two in the group being offered by Richard Robinson of the Otteridge recruitment consultancy.

Further developing as well as minding the "store" will be the major concerns of the recruit—the aim is to increase the £5m turnover to £60m in 1984. Strength in financial management is important, so candidates should have specialised in finance, perhaps as a qualified accountant, before climbing to become general managers with responsibility for profits and demonstrably able to lead a Board including executives covering sales, franchising, operations and, of course, finance.

The basic salary for this job is negotiable around £20,000. There is a profit-share among the other benefits and there is up to 10 per cent of equity available for a share-stake, which Mr. Robinson says "in the longer term may become unavoidable."

The second opening is for someone capable of becoming sales director within about 18 months. To reach the £60m target, Mr. Thirwell projects that the group will need to establish 50 new franchises a year, by which time the print-shops will almost certainly have extended their services by the incorporation of a wider variety of equipment useful to small and medium sized businesses.

Cultivating this growth will be the main responsibility of the second recruit, who will need to identify and guide franchisees, develop new ranges of products, and train and lead the sales force. Much mobility will be needed.

Candidates should be successful sales managers in either the business machine or allied printing field, or in advertising or insurance. The age range is 35-40. Bonus on results should add 50 per cent, I'm told, to a basic salary around £10,000 to £12,000. Perks include car.

Inquiries to Richard Robinson at 199, Knightsbridge, London, SW7; tel. 01-589 1444, telex 24788.

Magazines

THE NEXT offer raises a certain nostalgia in me because I started in journalism on monthly magazines, at the advanced age of 28. Those I have worked on gloried in the titles, respectively of: Skinner's Silk and Rayon Record, the Paint and Wallpaper Retailer, and—believe it or not—the Pet Store and Aquatic Trader. Even now, I can't look at a monthly magazine without wanting to sing Gaudeamus Igitur.

So I am touched to say that someone with successful experience of managing and developing the business side of such magazines is required by James Denholm, of Financial Appointments, to be managing director of the small and relatively recently acquired magazine subsidiary of a privately owned group based in London.

There will be profit-sharing plus a salary of around £10,000, and a car among the perks. Mr. Denholm can be telephoned at 01-734 2603. Alternatively, written applications with detailed career outline and candidate's telephone number should be sent to him at 18 Golden Square, London W1. He guarantees not to disclose names if so requested.

Africa

FINALLY, last Thursday I pointed out that a consultant in development banking being sought by the Fund for Research and Investment for the Development of Africa, might be decisive in preserving a Western-style democracy there. That was a true statement, but FRIDA is concerned lest my comment be taken to apply that the fund is politically committed. It is not; its sole concern is to foster development in African countries, regardless of their political philosophy.

£6,000 accountancy appointments £9,000

These advertisements appeared in the Financial Times on January 15 1980

Job Title	Salary	Location	Advertiser
Management Accountant	£9,000 + Benefits	Sussex Coast	Extel Recruitment
Head Office Financial Services	£8,500	West End	Personnel Resources
Management Accountant	£9,000	Essex	Ernst & Whinney
Management Accounting	£7,000	C. London	Lloyd Management
Credit Management Treasury Role	£ Neg.	U.K. or Brussels	Robert Half
Qualified Accountant	£10,000	London	Robert Half
Divisional Accountant	£9,000 + Car	S.E. London	Robert Half
Banking	£9,000 + Mortgage Benefits	C. London	Robert Half
Young ACA	£8,500	Surrey	Robert Half
Accountant	£ Neg.	London	Thacker Motor Group Ltd
Young Qualified Acco.	Up to £10,000	—	A & A Consultants
Chief Accountant	£8,000 + Car	N.W. Surrey	A & A Consultants
Accountant	£7,000 +	N. London	A & A Consultants
Investment Accounting	£6,000	City of London	Provident Mutual Life
Taxation Accountant	—	Sheldon, Birmingham	Glynwed Group Services
Accountant	£7,000-£8,000	London W1	Phone Richard Lebentz on 01-637 9601

For the full text of the advertisements please see the Financial Times of that date or telephone Sally Stanley on 01-248 5597.

GENERAL APPOINTMENTS

CJA
RECRUITMENT CONSULTANTS
35 New Broad Street, London EC2M 1NH
Tel: 01-588 3588 or 01-588 3576
Telex No. 887374

CJRA

OFFICE MANAGER

CITY EC4 **REMUNERATION £8,000-£10,000**

Our Client, one of the world's leading Money Merket Brokers, have en opening for an experienced Manager, male/female, aged 30-40, who has tha parsonality to deal with people at all levels. Wide ranging responsibilities include maintenance, security, supervision of contractors, departmental budget, etc., and the supervision of 16 staff. The successful candidate will also be required to deputise for the Communications Officer in his absence and basic telecommunications experience would therefore be useful. Initial remuneration, by way of high basic salery + bonus, negotiable £8,000-£10,000, plus excellent benefits package. Applications with c.v. in strict confidance, under reference OM11973/FT, will be forwarded unopaned to our Client, unless you list companias to which they should not be sent in a covering letter marked for the attention of the Security Manager.

CAMPBELL-JOHNSTON RECRUITMENT ADVERTISING LIMITED
35 NEW BROAD STREET, LONDON EC2M 1NH

Financial Planning & Analysis

Middlesex **up to £10,000 + car + benefits**

Our client is a market leader in the mini/micro computer business. The continued expansion of their organisation has created a key new position for a dynamic young accountant to work on budget planning and monitoring, divisional consolidation, and management reporting for the European Operation of a California based corporation. Candidates may be either qualified accountants or numerate graduates who can demonstrate a capability in the above areas. Salary and conditions are excellent, as are career prospects in this dynamic and expanding organisation. An element of European travel will be involved.

Please send your c.v. to, or request an application form from, Ron Burgess quoting reference number RB/FT/2701.

OMICRON SELECTION LTD
Personnel Consultants,
14 New Burlington Street,
London W1X 1FF.
Tel: 01-734 6134.

Corporate Financial Services Development Manager

This opportunity arises in a progressive director controlled group providing a comprehensive treasury service to some 400 UK corporate clients.

It will appeal to an enthusiastic person up to 40 years of age with industrial plus financial experience who enjoys meeting people at top level. The appointment is London based with about half of the time spent visiting companies in London and the South.

Remuneration will be £10,000+ per annum plus a car, profit sharing, contributory pension, private medical insurance and other benefits.

Please apply, with brief curriculum vitae to: Managing Director, Manchester Exchange Trust Ltd., Shelley House, Noble Street, LONDON EC2V 7JQ.

BERMUDA ACCOUNTANT

Salary $27,000 **Age: Open**

Our clients, International Lloyd's Brokers, have a vacancy in their Bermuda Offices for an Accountant qualified to ACA standard. The person appointed will have substantial experience in Insurance or a related field and will report to the Senior Accountant. U.S.A. travel envisaged.

Initially, please reply in strictest confidence to:

Nicholas P. Moore, Associate Director, or Christopher D. Stock, L.P.S. Group. Tel: 01 481 8111, quoting ref. 43892.

MANAGER, PLANNING AND FINANCIAL CONTROLS
ABU DHABI NATIONAL OIL COMPANY FOR DISTRIBUTION
(ADNOC-FOD)

P.O. Box 4188, Abu Dhabi, United Arab Emirates

Applicants are invited to apply for the following position:

1. Title of post: Manager, planning and financial controls.
2. Qualifications required: qualified accountant or MBA.
3. Experience required: minimum of five years' experience in similar positions in raputable organisations.
4. Salary: in accordance with qualifications and experience.
5. Other conditions: proven ability to work under pressure and demonstration of initiative and creativity. Priority will be given to Arab nationals.

Handwritten applications, together with copies of certificates and credentials must be submitted to:

The Administration Manager,
Abu Dhabi National Oil Company for Distribution,
P.O. Box 4188,
Abu Dhabi,
United Arab Emirates.

التوزيع

Charles Barker
Confidential Reply Service

International Management Systems Consultant

An experienced executive with the ability to diagnose all aspects of company operating and control systems is sought. The executive will join a head office management team, reporting to the Managing Director in charge of the overseas activities of a successful U.K. Group, active in the industrial and construction plant industry in Europe, North America, Africa and Australia.

The job will entail thorough study of the management organisation and systems in each subsidiary, covering the accounting, sales and production functions. With this background, the auditor will be expected to recommend and assist in the implementation of changes in:

- procedures, to harmonise practice throughout the Group
- equipment and procedures to improve efficiency

The ability to perform these tasks must be coupled with a facility to summarise and explain complex subjects, both verbally and in writing, concisely and effectively.

The position calls for a willingness to travel and to spend a major part of the year overseas on assignments lasting from 3 to 8 weeks. The applicants should have an accounting or computer systems background combined with managerial or administrative experience in a complex engineering industry environment. A management consultant with such a background would also be suitable. Ability to speak French or Spanish is an advantage.

Salary is commensurate with the responsibilities of the job; benefits include a car and the opportunity to join the Group's transferable contributory pension scheme.

Ref. 1610

APPOINTMENTS

Senior posts at Royal Bank of Scotland

THE ROYAL BANK OF SCOTLAND has made the following appointments from March 1: Mr. John S. G. Kirkland, at present general manager (Northern Region), is to ba senior general manager with responsibility for domestic banking. Mr. James H. Shaw, at present general manager (Glasgow), becomes senior general manager with responsibilty for corporate finance, international business and development and marketing. Mr. Charles M. Winter, at present general manager (Southern Region), is mada senior general manager with responsibility for staff, property and administration.

★

NORMALAIR-GARRETT has appointed Mr. Peter G. Cockell as general marketing manager.

★

Officers elected at tha GRAIN AND FEED TRADE ASSOCIATION: Mr. F. R. Alexander (managing director of James Richardson and Sons Overseas) was elected president in succession to Mr. P. A. Metaxa. Deputy president: Mr. J. M. McKean (menaging director of Thos. Borthwick (Glasgow). UK vice president: Mr. L. J. Wright (director of Pauls and Sanders), European vice president: Mr. A. C. Braakenburg (Pell Nederland BV).

★

Mr. Peter H. Edgley has joined the main Board of KENT MESSENGER.

★

J. R. FORRESTER AND CO., a member of the John Williams Group, has steted that Mr. M. W. Wallace, at his own request, is relinquishing the post of managing director on January 17. Mr. Wallace will remain a director and Mr. J. W. Forrester will combine the duties of chairman and maneging director.

★

Mr. Nigel Chambers, formerly chief estimator, has been appointed director of WALTER LAWRENCE (EAST ANGLIA), pert of the Walter Lawrence Group.

★

Mr. Frederick McCleneghan bas beeo eppointed industry director of CORBY, Northants. He is at present assistant director of Industry at Peterlee and takes up his oew post on April 1.

★

Mr. Robert J. Boyle has become vice-president, research, engineering and constructioo of TEXASGULF INC. He succeeds Dr. James R. West who is retiring at the end of this year.

★

Mr. G. F. Gray bas been appointed a director of the BET COMPANY. Mr. Gray is chairman of the BET group's plant hire interests, whicb comprise Grayston, Eddison Plant and J. D. White.

★

Mr. A. C. Chipperfield has been apolnted managiog director of REDIFON TELECOMMUNICATIONS in succession to Mr. W. S. Robertson wbo remains chairman. Redifon Telecommunications is part of the Rediffusion Group.

★

Mr. Brian Taylor bas been made managing director of NORFLEX.

★

Mr. Panl Anthony Brooks, who joined the TSB Trust Company as assistant general manager finance and investment bas been appointed company secretary.

★

Mr. John Wilcox, North West Europe area director for the International Wool Secretariat, has been appointed cbairman of tha RETAIL TRADING STANDARDS ASSOCIATION in successioo to Mr. Garvin Fisher.

★

Mr. D. Collier and Mr. J. G. Dodds heve been appointed directore of F. W. WOOLWORTH AND CO. Both are long-serving executives with wide experience.

★

Mr. F. C. Baker has heen elected chairman of the COUNCIL OF IRONFOUNDRY ASSOCIATIONS in [illegible]ssion to Mr. D. J. Atkin. [illegible] is managing director [illegible]k Castings, Bedford. [illegible] Teeman, managing director of Tbe Clay Cross Company and cbairman, East Midlands region of the CBI, has been elected deputy chairman.

★

The management of the City office of BARCLAYS BANK bas been restructured by the appointment of two senior corporate managers, Mr. B. F. Page end Mr. J. A. Pearce, wbo will take the place of Mr. A. Waterhouse, a brancb director who retires on February 29. Mr. W. A. Lower remains a branch director and will assume sole overall control of the branch.

★

Mr. P. R. Fyson bas been eppointed a non-executive director of GOMME HOLDINGS. He is a director of CompAir.

★

Mr. John A. Harper is to join the main Board of STAVELEY INDUSTRIES as an executive director. He is an executive director of Lindustries, and has previously beld senior appointmeots in other companies, including Smiths Industries and Plessey.

★

Mr. H. Houghton has been elected chairman of STENHOUSE HOLDINGS to succeed Mr. John G. Stenhouse who will retire on February 14. Mr. Steohouse will remain a director. Mr. Paul H. A. Stenhouse, a soo of tbe late Mr. Hugb C. Stenhouse, chairman of the company from 1957 to 1971, has beeo appointed s director.

★

Mr. Rene Gold has beeo appointed to the Board of FOSTER TURNER AND BENSON.

★

Mr. G. H. J. Robinsoo bas heen appointed cbairman of SPRING GROVE SERVICES in succession to Mr. G. C. Rowett, who remains oo the Board as a non-executive director. Mr. Robinson is cbairman of Denbyware, chairman of the Sangers Group, a director of Minster Assets, and a regiocal director of National Westminster Bank.

★

Mr. R. G. Rntty has beeo appointed ao assistant director of WINCHESTER BOWRING.

★

The MANPOWER SERVICES COMMISSION has appointed Miss Vivien Stern, director of the National Association for the Care and Resettlement of Offenders, to represent tha intarests of voluntary organisations on the MSC's SPECIAL PROGRAMMES BOARD. She replaces Miss Valerie Coleman of Task Force wbo has resigned.

★

Mr. Neville Price bas beeo made managing director of GRADUATE APPOINTMENTS.

NEW ISSUES

City **c.£13,000**

The merchant banking group of e major continental bank, long established in the City, is expanding its New Issues activities, both in the British market, where the exchange control removal has created new opportunities for foreign issues, and in the Eurobond market where it is actively promoting its services to British issuers.

The Corporate Finance Department needs to increase its team with e male or female executive, aged around 27-35 with e professional qualification or degree. He or she should have a sound experience in negotiating and setting up New Issues, gained probably with a merchant bank or e major stockbroker, and a capacity to conduct discussions at e high level with client companies. A knowledge of French would be e distinct advantage.

Non-contributory pension and BUPA schemes, low interest mortgage and promotion prospects are provided.

Please send full career details in confidence to:

Denis V. E. Howard
Recruitment and Selection Consultant
Third Floor, 4 Cromwell Place
London SW7 2JJ

Corporate Planning

The newly appointed Director of Corporate Planning, for a complex international metal trading group with manufacturing interests, requires an assistant to facilitate the introduction and development of strategic planning techniques.

Candidates, male or female, should have spent three or four years in commerce or industry after acquiring a technical degree and before obtaining an MBA.

The appointment will be City based and will carry an attractive salary and conditions of employment. Relocation assistance will be provided where necessary.

Applications giving details of career to date and present salary should be sent to the Group Personnel Manager, Amalgamated Metal Corporation Ltd., Adelaide House, London Bridge, London EC4R 9DT.

AMC Amalgamated Metal Corporation

LEGAL APPOINTMENTS

Assistant Solicitor
Commercial Law

London **c. £10,000**

Our clients, a medium-sized successful firm of solicitors in the Holborn area wish to recruit a young solicitor who will work partly on his/her own initiative and partly under guidance of a Partner.

The successful applicant will probably be aged 25-35, with a career to date in a medium to large practice and with 3-5 years' experience since admission. The future prospects within the firm are excellent.

Please contact Chris Kuhn,
3rd Floor, Wheatsheaf House, 4 Carmelite Street,
London EC4Y 0BN.
Telephone: 01-353 1307/1308

Dennis Chatfield & Associates

COMPANY NOTICES

BRISA—AUTO-ESTRADAS DE PORTUGAL S.A.R.L.

EUA 15,000,000 8¼% 1974/1989

Bondholders are hereby informed that the amortisation due on February 6, 1980, for which an amount of EUA 1,000,000 is planned, has been effected by a draw by lot.

Following this draw which took place on January 7, 1980, in the presence of Madame Jeanne Housse, Huissier de Justice at Luxembourg, the one thousand bonds of EUA 1,000 bearing numbers:

8987 to 10497 inclusive

will be redeemable at par, coupon at February 6, 1981 and subsequents attached, as from February 6, 1980, date at which they will cease to bear interest.

The following banks will carry out the redemption of the said bonds and the payment of interests due on February 6, 1980:

CREDIT LYONNAIS, Luxembourg — CREDIT LYONNAIS, Paris — KREDIETBANK S.A. LUXEMBOURGEOISE, Luxembourg — COMMERZBANK A.G., Frankfurt — BANQUE BRUXELLES LAMBERT S.A., Brussels — AMSTERDAM-ROTTERDAM BANK N.V., Amsterdam.

List of Bonds previously drawn and not yet presented for repayment:

February 6, 1978: Nos. 7410, 7411, 7419, 7420;

February 6, 1979: Nos. 30 to 33, 88, 65, 98, 76, 77, 84 to 96, 103 to 105, 113 to 116, 131, 132, 135 to 140, 159 to 162, 172, 173, 176, 177, 184 to 193, 200 to 202, 216 to 218, 221, 222, 235 to 237, 245, 246, 278 to 284, 287, 288.

Amount remaining in circulation after this 6th instalment:
EUA: 11,000,000.

The Fiscal Agent
CREDIT LYONNAIS, Luxembourg

SOCIETE CONCESSIONNAIRE DES AUTOROUTES PARIS-EST-LORRAINE-APEL

EUA 12,000,000 9½% 1975/1985

Bondholders are hereby informed that the amortisation due on February 21, 1980 for which an amount of EUA 1,500,000 is planned, has been effected by a draw by lot.

Following this draw which took place on January 7, 1980 in the presence of Madame Jeanne Housse, Huissier de Justice at Luxembourg, the one thousand five hundred bonds of EUA 1,000 bearing numbers:

6430 to 7929 inclusive

will be redeemable at par, coupon at February 21, 1981 and subsequents attached, as from February 21, 1980 date at which they will cease to bear interest.

The following banks will carry out the redemption of the said bonds and the payment of interests due on February 21, 1980:

CREDIT LYONNAIS, Luxembourg — COMMERZBANK A.G., Frankfurt — CREDIT INDUSTRIEL ET COMMERCIAL, Paris — KREDIETBANK S.A. LUXEMBOURGEOISE, Luxembourg — SOCIETE GENERALE DE BANQUE S.A., Brussels.

The following bonds redeemable since February 21, 1979 have not yet been presented for repayment:

Nos. 8240 to 8243, 8248, 8254, 8256 to 8260, 8280 to 8289, 8298 to 8300, 8304 to 8310, 8320 to 8325, 8328, 8434 to 8468, 8493 to 8499, 8536 to 8545, 8565, 8566, 8570, 8871, 8621 to 8630, 8643 to 8652, 8683 to 8692, 8779 to 8791, 8808 to 8812, 9528, 9533, 9544, 9545.

Amount remaining in circulation after this 2nd instalment:
EUA: 3,000,000.

The Fiscal Agent
CREDIT LYONNAIS-LUXEMBOURG

LEGAL NOTICES

PREVENTION OF FRAUD (INVESTMENTS) ACT 1958

NOTICE IS HEREBY GIVEN that

1. Stewart Salmon and Company Limited of 16 Hans Road, London SW3 1RS and 4 Old Park Lane, London W1Y 4AQ has relinquished the Principal's Licence issued pursuent to Section 3 of the Act, having ceased to carry on the business of dealing in securities.
2. Mr. T. Soon Shiong has made application to the Department of Trade pursuant to Regulation 5 of the Prevention of Fraud (Investments) Deposit Regulation 1944 (S R & O 1944 No. 541) for the release of the £500 13¾% Treasury Stock 1997 deposited in pursuance of Section 4 of the Act.
3. Any persons having a claim on the funds representing the deposit should send their names and addresses and details of their claim to the Assistant Secretary, Companies Division, Department of Trade, Sanctuary Buildings, Great Smith Street, London, SW1, not later than 13th February 1980.

TRAVEL

GENEVA, Basle, Zurich and Berne, widest choice of cheap flights from 4 U.K. airports. Brochure FALCON, 01-351 2191.

LA REDOUTE

In his year-end letter to shareholders, Mr. Henri Pollet, Chairman, takes stock of the company's situation at the end of the first half of 1979/1980 (March 1-August 31) and of the Group's operations to November 30, 1979.

LA REDOUTE S.A.

In the first six months of the fiscal year, turnover, including taxes, reached Frs.1,561 million, up 15.6% from Frs.1,350 million. The net profit rose from Frs. 14.5 million to 15.3 million after a 1.8 million famcast for depreciation in value of the VENCA shares and a Frs.1.5 million provision for losses and charges due to the ceasing of activities of SARTHA.

In the first nine months, turnover, including taxes, rose to Frs.2,677 million against Fm.2,300 (November 30, 1978), showing an increase of 18.4%. For the total of the fiscal year the rate of improvement should be up to about 15%.

SUBSIDIARY AND AFFILIATES

As at November 30, 1979:

—Only SOCIETE NOUVELLE D'EXPANSION REDOUTE with a turnover, including taxes, of Frs.161.0 million, is below forecast (+7.1%).

—EDITIONS ROMBALDI's turnover, including taxes, reached Frs.84.4 million, an increase of 21%.

—FINAREF, recently taken over 100%, collected Fm.45.8 million in premiums, i.e. an increase of 9.8%. Returns were diminished by the terms of the recent decree covering financial establishments.

—PREMAMAN shows an increase of 20.2% of its activity, reaching Frs. 166.3 million.

As of January 1, 1980, the company has acquired for Frs.8 million, 80% of SODIREG'S capital, a company which owns and operates the PRENATAL and MATERNA network.

As of January 1, 1980, PREMAMAN will form a group comprising 215 subsidiaries and close to 250 affiliates.

Abroad, VESTRO's progress is confirmed, business having gone up by 21.1%. If this improvement continues, the company should slightly reduce its deficit.

In Spain, in accordance with the Board's decisions, all shares held in VENCA have been ceded.

REDOUTE GROUP

Consolidated turnover as at November 30, reached Frs.3,344 million, an increase of 15.3%, against an increase of 14.6% at the end of the first six months 1979/80. While the consolidated net profit is expected to show an increase compared with the previous year, it is difficult at this point to determine its volume because of economic uncertainties.

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INVESTMENT MANAGEMENT

Due to continued expansion of business, a vacancy has risen for an experienced Investment analyst in the Investment Department of the Standard Life Assurance Company in Edinburgh. There are prospects of rapid promotion to a portfolio management post.

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Mary Thom, Senior Personnel Officer, The Stock Exchange, London EC2N 1HB. Tel: 01-588 2355.

The Stock Exchange

LOMBARD

A new test of U.S. confidence

BY DAVID LASCELLES IN NEW YORK

FOR ALL its obsession with statistics, the U.S. lacks a eeries that other countries lay a lot of store by: job vacancies, that useful indicator of the supply side of the labour market. The reasoo for this surprising omission probably lies buried somewhere in the Labor Department. But it may also have to do with the fact that there is a rather quaint alteroative called the "Help wanted" index.

This series was not devised by the Labor Department, or iodeed by any government department, but by a certain Mr. William A. Berridge who worked more than 50 years ago as ao economist at the New York Metropolitan Life Insurance Company. And unlike most statistical series it is amazingly simple.

Accurate

Mr. Berridge had the idea that the state of the labour market could be gauged by simply counting the number of help wanted advertisements that appear in the newspapers, and *tracking the monthly changes*. So he got major publications up and down the country to send in their monthly totals, which be then collated, weighted by region, adjusted seasonally, and published as an index.

Fifty years later, Mr. Berridge is no more. But his work has been taken over by the New York Confereoce Board, the busioess research organisation which publishes a whole range of statistics. And though the Board's approach is a little more scientific than Mr. Berridge's, the basic work remains the same. Every month, want ad numbers come pouring in from 51 market centres, and are processed by the Board into an index which is now based on 1967=100.

The results have been surprisingly accurate. Over the years, the Index has never strayed far from the unemployment trend. And though many economists treat it with caution because of the somewhat crude way it is put together, few dismiss it outright, and most say it is a positive help.

The weakness of the index, of course, is its susceptibility to changes in the newspaper market or in employers' advertising policies. But Mr. Kenneth Goldsteio, the Conference Board economist who puts it together, says that there have been surprisingly few changes in the size and composition of the newspaper sample the Board has used over the years. He also eays it makes little difference that one ad may be for ten secretaries and another for one truck driver: over time the mix of advertisements is fairly consistent. It is far more important, be says, that the count be based on the major newspaper io a given market, and that it include Sunday advertising, which is traditionally the heaviest.

The index's strength is that help wanted ads cover precisely the area of the job market which has the biggest and most meaningful fluctuations: low to middle skills. Because it is assembled on a geographic basis, it also shows regional shifts io employment patterns. Long ago, it showed the drift from the Northeast to the sunbelt in the South; indeed, it bae also lately begun to suggest a reversal of that trend.

Misleading

Another of its virtues is that it bas turned out to be a leading indicator at times of economic boom: employers take on more people when they think business ie going to be good. (Because of this it also tends to peak out before the economy because it reflects employers' growing nervousness.) But it lags at the trough because employers generally wait for an economic upturn before taking on new labour.

In fact, it is somewhat misleading to call it a "help wanted" index because what it really reflects is the state of *business confidence rather* than what is going on in the labour market. So what does it tell us right now as the U.S. economy appears to be hovering on the brink of a recession?

Well, after gaining strongly in the surprisingly good third quarter, the index dipped sharply in November (the latest figure available), which suggests that business confidence may have begun to wane in the closing weeks of last year.

Facilities at conference centres

PEOPLE in the communications business are often accused of being the worst communicators. Perhaps there is justification for the complaint, but if the number of conferences they hold is anything to go by, they can bardly be accused of not trying. Top of the conference pops at present in London are events devoted to Prestel and viewdata — wbicb sometimes occur at the rate of two per month (the next one oo January 29 is on the theme of using Prestel and Oracle for advertising; organisers Mills and Allen Communications).

Video is the other popular theme for the communications industry. It is the leit motif in another London event early next month, Communication in the Eighties, organised by Meridian Conferences. Videocassettes and video discs bave their own international annual event also in London, now in its fourth year, renamed VID 80, this is staged by Nord Media at the end of March. Video is even the subject of a forthcoming Thames Television programme in the Inside Business series. New York bas just staged one on women and the media, San Francisco next month examines the problems of TV programme executives, and Toronto plays host in February to the Society of Motion Picture and Television Engineers.

These conferences frequently bave one thing in common that should seriously worry the conference industry: problems in using audi-visual media. The difficulties stem from neglect as much as ignorance—from the rash assumption that a handful of colour slides and a couple of reels of film present no technical difficulty when dropped into a presentation.

Yet the real troubles begin with the venues. There are still very few international conference centres which bave been designed and equipped well enough to bandle all of the modern audio-visual media efficiently. One of the better venues is in London, the Princess Anne Theatre of the British Academy of Film and Television Arts, which can cope with most permutations of 16mm and 35mm film, is equipped with television monitors in the auditorium (and even a broadcast TV land line direct from the transmitter to avoid the use of aerials) and bas an extremely comfortable auditorium.

Nooe the less, this theatre—which resulted from the expertise and equipment donations of the media industry itself—shows that however bard one tries there are always problems. When the Princess Anne Theatre first opened, it could only bandle multivision slide projection by mounting the projectors in the auditorium, there being no room in the box, and only recently has it been able to cope with stereophonic sound on 16mm film. Although it seats 213 people, less than balf that number can be accommodated for a buffet luncheon.

If an audience of 200 has to be fed at a London conference, the choice is limited. Hotels generally present difficulties if significant usage of audio-visual are planned—film projection equipment should be located in sound proof, projection boxes for a start. Some hotels have inadequate black-out arrangements.

If live television is to be employed, the aerial systems in many hotels will be found unsatisfactory (or even nonexistent where relay television is used). The introduction of heavy equipment may be inhibited by access problems, and the room acoustics are sometimes unsatisfactory—especially when room dividers are used to separate two simultaneous conferences. I have also yet to find an hotel where the waiting staff do not carry on their own conferences, off stage, during the formal proceedings.

In central London, the audio-visual conference organiser seeking a venue in the 200-250 range which can cope with most if not all of these problems must go to Sudbury House (202). There is little else that can cope with everything (viz. television, 35mm film, 16mm and other facilities). Next choice is the superbly equipped Heathrow Hotel (262), but not the easiest of places to drive to at times.

Yet many international conferences require seating and catering for 350 people upwards, which means moving to an hotel or some of the less satisfactory halls where audio-visual facilities are either limited or lacking in performance. The situation is not unique to London, where at least the choice is considerable. In many European cities it is frequently easier to find a grand venue for 750-1,000 than for a mere 350.

The use of a hall too large for the occasion is dispiriting for the speakers and in consequence is liable to cast a gloom over the occasion. At least in this situation, hotels, without fixed seating, can cope better by using classroom type lay-out with baize tables; the poorly-attended conference then looks quite full.

For any conference which will make substantial use of audio-visual media, the cardinal point of advice is to appoint a technical co-ordinator. Even when a venue is staffed with its own operators, overall technical management should be a high priority. For example, the standard facilities that come with the auditorium may be inadequate — someone has to recognise this and rectify the shortcomings. If the solution means bringing in extra equipment, the absence of a technical co-ordinator can lead to chaos—incorrect plugs, mis-matched apparatus, mis-handled operation.

Most important of all, the technical co-ordinator should be the first person every speaker sees when arriving at the conference venue. Slides, films, tapes, all have to be handed over to the operators with clear instructions; and a good co-ordinator will have ensured, weeks beforehand, that no speaker is bringing material that presents technical challenges (a very common occurrence, often discovered two minutes before the speaker is due to go on).

How many conferences even direct the registration desk to report the arrival of all speakers? I have been to numerous conferences where the chairman has been obliged to nervously introduce the next speaker without being certain that be was actually sitting in the auditorium.

A good technical co-ordinator will be up-to-date in knowing of newly available equipment which can make a great difference to smooth presentation. It is surprising, for example, how many conferences still fail to use cable-free radio microphones for bandling questions from the floor — even "rifle" microphones which can be aimed at the delegate without the need to pass the instrument along a crowded row of people. The new generation of video projectors now available could also enhance many conferences. No longer should a crowded hall of 200 people have to peer at tiny television sets staggered along the aisles.

Perhaps most crucial of all when audio-visual media feature in a conference is the need to rehearse. Only rehearsal will uncover the unexpected snags. Murphy's Law might have been discovered at an audio-visual conference.

My own near disaster, narrowly averted, was in Stockholm last September at the end of a very complex presentation involving all of the media. Tha pay-off was a demonstration of holography in the darkened auditorium, during which time I slid out of a stage exit to come round to the auditorium and secretly take a seat; from the stage, a tape recording of my voice was meanwhile about to introduce me in the auditorium as if I had been sitting there all of the time.

Only in a *complete* rehearsal on the morning of the conference did I discover that the door through which I was going to enter the auditorium bad been locked. Perhaps it would have been a funnier pay-off, but it confirmed that only complete rehearsal will disclose the most cruel tricks of fate.

FILM AND VIDEO

BY JOHN CHITTOCK

Snowtown Boy in brisk demand

RACING

BY DOMINIC WIGAN

ALL THE major firms still report good money for Snowtown Boy in the Schweppes Gold Trophy and the gelding is now firm favourite for the February 9 Newbury race, in which Toby Balding saddles three—Tailem Bend (Ian Gettie), Decent Fellow (Richard Linley) and Sheer Silk. Riding plans bave yet to be announced for the last-named.

Judged on Saturday's Lanzarote Handicap Hurdle at Kempton Fred Winter must be looking forward to the Schweppes with increased hopes. For be decided some while back that his Loughnavalley, the length runner-up to Danish King in the Lanzarote (in which Tailem Bend finished third), would not have as bright a chance as Snowtown Boy in the February renewal of Newbury's most prestigious National Hunt handicap.

The two-lengths conqueror of Norfolk Arrow in the Berkshire'e Challow Hurdle 13 months ago, when trained by Miss Auriol Sinclair, Snowtown Boy made a mockery of the weights for the Boxing Day Handicap Hurdle at Kempton.

Let down at the penultimate flight by Winter's assistant, Mr. Oliver Sherwood, Snowtown Boy quickly established an unassailable lead.

There seems every reason for demand for Snowtown Boy and it could be that further support will see him going to post as one of the hottest favourites in the Schweppes race's history.

Turning to this afternoon's sport in the north, backers may be best advised to wait at Sedgefield for the 2.45 event, the Sands Novices Chase. Here Inter State, who was running on creditably when third behind Starlight Lad and Black Market in the Widgeon Novices Chase at Newcastle on January 12, looks a sound proposition.

SEDGEFIELD

12.45—Young Horn
1.15—Henry Hotfoot**
1.45—Orchard Hero
2.15—Ellerby Lord
2.45—Inter State***
3.15—Tough Guy*

TV Radio

† Indicates programme in black and white

BBC 1

9.35 am For Schools, Colleges. 12.45 pm News. 1.00 Pebble Mill at One. 1.45 Trumpton. 2.00 You and Me. 2.14 For Schools, Colleges. 3.25 Dechrau Siarad. 3.53 Regional News for England (except London). 3.55 Play School (as BBC2 11.00 am). 4.20 Yogi Bear. 4.25 Jackanory. 4.40 Animal Magic. 5.05 John Craven's Newsround. 5.15 Grange Hill. 5.35 The Perishers.
5.40 News.
5.55 Nationwide (London and South East only).
6.20 Nationwide.
6.50 Robbie (London and and South East only).
7.20 The Rockford Files.
8.10 Decision.
9.00 News.
9.25 Flesh and Blood.
10.15 Sportsnight Special.
11.05 News Headlines.
11.07 Question Time.
12.07 am Weather / Regional News.

All Regions as BBC1 except as follows:

Wales—10.38-10.58 am I Ysgolion. 4.40 Crystal Tipps. 4.50-5.15 Bobol Bach. 5.55-6.20 Wales Today. 6.50 Heddiw. 7.10 Pobol y cwm. 7.40-8.10 A Question of Sport. 12.07 am News and Weather for Wales.

Scotland—10.38-16.58 am For Schools. 12.40-12.45 pm The Scottish News. 5.55-6.20 Reporting Scotland. *6.50-7.20 Sing Along with Sunshine*. 10.15 Current Account. 10.45 Can Seo. 11.20 Write Away. 11.35 News and Weather for Scotland.

Northern Ireland—10.38-10.58 am For Schools. 3.53-3.55 Northern Ireland News. 5.55-6.20 Scene Around Six. 6.50-7.20 As I Roved Out. 10.15 Spotlight on *Northern Ireland affairs*. 10.45 "Tuning In." 11.35 News and Weather for Northern Ireland.

England—*5.55-6.20* pm Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth). 6.50-7.20 East (Norwich) Daly on Tuesday; Midlands (Birmingham) Look! Hear!; North (Leeds) Lifelines; North East (Newcastle) Heroes; North West (Manchester) A Grand Slog; South (Southampton) Hey Look . . . That's Me! South West (Plymouth) Brainwave; West (Bristol) Breakthrough.

BBC 2

10.05 am Are You Happy in Your Work?
11.00 Play School.
11.25 Write Away.
11.40 It's A Great Life.
2.30 pm *Dilemmas*.
3.00 Illusions of Reality.
3.30 The Living City.
†5.40 Harold Lloyd.
6.10 The Waltons.
6.55 The World About Us.
7.45 News.
7.55 "Keystone Hotel" (comedy film).
8.10 Company and Co.
9.00 Movie Showcase: "The Stepford Wives" *starring* Katharine Ross.
10.50 Late News
11.05 International Cricket.
11.35 The Old Grey Whistle Test.

LONDON

9.30 am Schools Programmes. 12.00 Simon in the Land of Chalk Drawings. 12.10 pm Pipkins. 12.30 The Sullivans. 1.00 News, plus FT Index. 1.20 Thames News. 1.30 Airport Chaplain. 2.00 After Noon Plus. 2.45 Wilde Alliance. 3.45 Three Little Words. 4.15 Get It Together. 4.45 Magpie. 5.15 Emmerdale Farm.
5.45 News.
6.00 Thames News.
6.25 Help!
6.35 Crossroads.
7.00 Charlie's Angels.
8.00 Armchair Thriller.
8.30 Robin's Nest.
9.00 Hollywood.
10.00 News.
10.30 "The Wicker Man" starring Edward Woodward, Britt Ekland and Christopher Lee.
12.05 am Close: Christian Unity Week with Rev. Alec Gilmore.

All *IBA Regions* as *London* except at the following times:

ANGLIA

1.25 pm Anglia News. 5.15 Emmerdale Farm. 6.00 About Anglia. 7.00 Bygones. 7.30 Selwyn. 10.30 Tuesday Late Film: "A Man With the Power." 12.15 am Your Music at Night.

ATV

12.30 pm George Hamilton IV. 1.20 ATV Newsdesk. 5.15 Circus. 6.00 ATV Today. 7.00 Emmerdale Farm. 7.30 England Their England. 10.30 ATV Newsdesk. 10.35 The Tuesday Movie: "Crunch."

BORDER

1.20 pm Border News. 5.15 Father Dear Father. 6.00 Lookaround Tuesday. 7.00 Emmerdale Farm. 7.30 Survival. 10.30 Luke's Kingdom. 11.30 Stars on Ice. 12.00 Border News Summary.

CHANNEL

1.20 pm Channel Lunchtime News and What's On Where and Weather. 5.17 *Bailey's Bird*. 6.00 Report at Six. 7.00 Charlie's Angels. 10.28 Channel Late News. 10.35 TV Movie: "Virginia Hill." 11.50 Commentaires et Previsions Meteorologiques.

GRAMPIAN

9.20 am First Thing. 1.20 pm North News Headlines. 5.15 Emmerdale Farm. 6.00 North Tonight and Area Weather Forecast. 7.00 The Love Boat. 10.30 Country Focus. 11.00 Reflections. 11.05 The Tuesday Thriller: "The Girl on the Late Night Show." 12.25 am North Late Night Headlines.

GRANADA

1.20 pm *Granada Reports*. *5.10* This is Your Right. 5.15 Crossroads. 6.00 Granada Reports. 6.30 Emmerdale Farm. 7.00 A Man Called Sloane. 10.30 Film of the Week: "The Storyteller."

HTV

1.20 pm Report West Headlines. 3.45 The Entertainers. 5.15 Magilla Gorilla. 5.20 Crossroads. 6.00 Report West. 6.30 Best in the West. 7.00 The Incredible Hulk. 10.35 The Big Picture: "Fire Down Below," starring Rita Hayworth and Robert Mitchum.

HTV Cymru/Wales—As HTV General Service except:—10.16-10.31 am Mwy Neu Lai. 1.20 pm *Penawdau Newyddion Y Dydd*. 1.25-1.30 Report Wales Headlines. 4.15-4.45 Sbardun. 5.00 Y Dydd. 6.15 Report Wales. 6.30-7.00 *Quest of Eagles*. 10.35 Bywyd. 11.20 World in Action. 11.50-12.20 am Father Dear Father.

SCOTTISH

1.20 pm News, Road and Weather. 1.30 How's Your Father. 5.15 Border Tales. 5.20 Crossroads. 6.00 Scotland Today. 6.30 What's Your Problem? 10.30 Late Call. 10.35 Midweek Movie: "The Champagne Murders," starring Anthony Perkins.

SOUTHERN

1.20 pm Southern News and Weather. 5.15 Dick Tracy Cartoon. 5.20 Crossroads. 6.00 Day by Day. 7.00 Emmerdale Farm. 7.30 Father Dear Father. 10.30 Southern News Extra. 10.35 "If He Hollers, Let Him Go," starring Dana Wynter.

TYNE TEES

9.20 am The Good Word followed by North East News Headlines. 1.20 pm North East News and Lookaround. 5.15 Selwyn. 6.00 North East News Headlines. 6.02 Crossroads. 6.25 Northern Life. 7.00 Emmerdale Farm. 7.30 Survival. 10.30 Come In, If You Can Get In. 11.00 North East News Headlines. 11.05 Tuesday Movie: "The Man Who Had Power Over Women," starring *Henry Fonda and Leslie Caron*. 12.50 am Epilogue.

ULSTER

1.20 pm Lunchtime. 4.13 Ulster News Headlines. 5.15 Cartoon Time. 6.20 Crossroads. 6.00 Good Evening Ulster. 7.00 Emmerdale Farm. 7.30 A Drop in Your Hand. 10.29 Ulster Weather. 10.30 *Feature Film*: "The Storyteller." 12.15 am Bedtime.

WESTWARD

1.20 pm Westward *News Headlines*. 5.12 Gus Honeybun's Birthdays. 5.15 Bailey's Bird. 6.00 Westward Diary. 10.32 Westward Late News. 10.35 TV Movie: "Virginia Hill," starring Dyan Cannon. 11.50 Faith For Life. 11.55 West Country Weather and Shipping Forecast.

YORKSHIRE

1.20 pm Calendar News. 3.45 Calendar Tuesday. 5.15 Selwyn. 6.00 Calendar (Emley Moor and Belmont editions). 7.00 Emmerdale Farm. 7.30 Survival. 10.30 The Big Picture: "Play Misty For Me," starring Clint Eastwood. 12.20 am George Hamilton IV.

RADIO 1

(s) Stereophonic broadcast
‡ Medium wave

6.00 am As Radio 2. 8.00 Dave Lee Travis. 9.00 Simon Bates. 11.31 Paul Burnett. 2.00 pm Andy Peebles. 4.31 Kid Jensen. 7.00 Personal Call. 8.00 Mike Read. 8.50 Newsbeat. 10.00 John Peel (s). 12.00-5.00 am As *Radio 2*.

RADIO 2

6.00 am News Summary. 5.03 Cricket news from Sydney. 5.04 Steve Jones (s) *including 6.03*, 7.03 Cricket and 8.16 Pause for Thought. 7.32 Terry Wogan (s) including 8.03, 9.03, 10.03 Cricket. 8.27 Racing Bulletin and 8.45 Pause for Thought. 10.04 Jimmy Young (s) including 11.03, 12.03 Cricket. 12.04 pm David Hamilton (s). 2.03 Ed Stewart's Request Show (s). 4.03 Much More Music (S). 5.00 News. 6.05 Waggoners' Walk. 5.20 Much More Music (s) (continued). 6.03 John Dunn (s). 8.02-9.30 Soccer Special (UHF only). 8.02 Wiv a little bit o'luck (S). *9.02 Glamorous Nights* (s). 9.55 Sports Desk. 10.02 Variety Club. 11.02 Brian Matthew with Round Midnight, including 12.00 News. 2.02-5.00 am *You and the Night and the Music* (s).

RADIO 3

5.00 am Cricket—England v West Indies. (Medium Wave only from 7.00). 6.55 Weather. 7.00 News. 7.05 Overture (s). 8.00 News. 8.05 Morning Concert (s). 9.00 News. 9.05 This Week's Composer: Arnold (s). 10.00 The Trio-Sonata (s). 11.00 Ian Henrik Kayser piano recital (s). 12.00 Dvorak and Smetana concert, part 1 (s). 1.00 News. 1.05 Six Continents. 1.20 Concert, part 2 (s). 2.05 Schumann chamber music (s). 2.40 In the Shadows of the Great (s). Talk by N. C. Robbins London. 3.25 Symphonies from Eastern Europe (s). 4.25 Jazz Today (s). 4.55 News. 5.00 Mainly For Pleasure (s). 7.00 Roussel (s). 7.30 Play Festival: "Artist Descending a Staircase," by Tom Stoppard (s). 8.45 Salzburg Mozart-Matinee (s) including 9.20-9.30 Interval Reading. 10.15 Dirty Friends (story by Maria Luria). 10.35 Shostakovich and Beethoven, cello and piano recital (s). 11.25 Jazz in Britain (s). 11.55-12.00 am News.

RADIO 4

6.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping forecast. 6.30 Today, *including 6.45 Prayer for* the Day, 7.00, 8.00 Today's News, 7.30, 8.30 News Headlines, 7.45 Thought for the Day, 8.35 Yesterday in Parliament. 9.00 News. 9.05 Tuesday Call. 10.00 News. 10.05 In Britain Now. 10.30 Daily Service. 10.45 The Wooden Horse. 11.00 News. 11.05 Thirty-Minute Theatre. 11.35 Local Edition. 12.00 News. 12.02 pm You and Yours. 12.20 Down Your Way. 12.55 Weather; programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Listen With Mother. 3.15 Sons and Lovers (s). 4.10 Bookshelf. 4.40 Announcements. 4.45 Short *Story*. *5.00 PM*. News magazine. *5.50* Shipping forecast. 5.55 Weather; programme news. 6.00 News. 6.30 Just a Minute (s). 7.00 News. 7.05 The Archers. 7.20 The Restless Years. 8.05 In Touch. 8.30 The Manipulators (Advertising and public relations.) 9.15 From Our Own Correspondent. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 The Hitch-Hiker's Guide to the Galaxy (s). 11.00 A Book At Bedtime. 11.15 The *Financial World Tonight*. 11.30 Today in Parliament. 12.00 News.

BBC Radio London

6.00 am As Radio 2. 6.30 Rush Hour. 10.03 The Robbie Vincent Telephone Programme. 1.03 pm London Live. 3.03 Showcase. 4.30 London News Desk. 5.35 Look, Stop, Listen. *7.03 Black Londoners*. 8.00 The Extra Ordinary Level Show. 8.45 Question Time from the House of Commons. 9.45-5.00 am Join Radio 2.

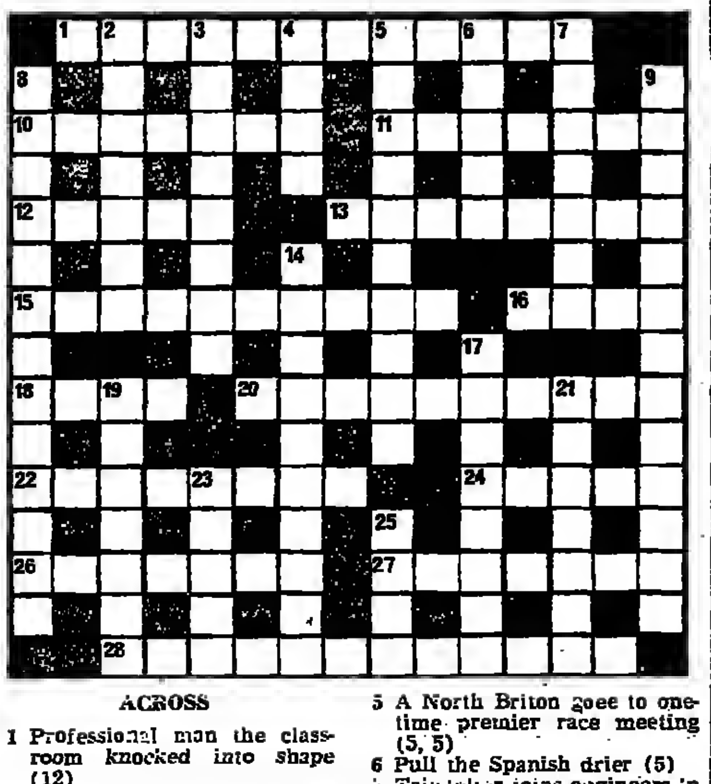
London Broadcasting

5.00 am AM with Bob Holness and Douglas Cameron. 10.00 The Brian Hayes Show. 12.00 LBC Reports. 8.00 Therese Birch—After Eight. 9.00 Jenny Lacey—Nightline. 12.00 LBC Reports Midnight. 1.00 am Tara Jefferies—Night Extra. 4.00 LBC Reports. 5.00 Morning Music.

Capital Radio

6.00 Graham Dene's Breakfast Show (s). 9.00 Michael Aspel (s). 12.00 Mike Allen (s). 3.00 pm Roger Scott (s). 7.00 London Today (s). 7.30 Adrian Love's Open Line (s). 9.00 *Nicky Horne's Your Mother Wouldn't* Like It (s). 11.00 Tony Myatt's Late Show (s). 2.00 am Mike Smith's Night Flight (s).

F.T. CROSSWORD PUZZLE No. 4,180



ACROSS

1 Professional man the classroom knocked into shape (12)
10 Look at small creature going round piano (7)
11 Beastly impertinence is a bloomer (7)
12 Man joins Eva Turoer in cast (5)
13 Poloted weapoo that could come to heel (8)
15 A French article on race finished unaccompanied (10)
16 Chief church supporter (4)
18 Persuade company to have a vote (4)
20 Not much of a fight for most of the tricks (6, 4)
22 Against cash we hear being given for metallic element (8)
24 Spine broken in north (5)
26 Brasshat who is not particular (7)
27 Nonconformity of daughter is posted (7)
28 Average firm has to be in earnest (4, 8)

DOWN

2 Accountant's day with a cold sweet (7)
3 Tear poet apart for writing musical (8)
4 Departed in the small hours (4)
5 A North Briton goes to one-time premier race meeting (5, 5)
6 Pull the Spanish drier (5)
7 Tale-teller joins engineers in due course (7)
8 Free from outside direction . . . (7, 6)
9 . . . as far as particular meeting record is the lates. (2, 2, 3, 6)
14 ... from Bombay used for army exercises (6, 4)
17 Discard modern plane? Maybe it's possible (8)
19 Name and initial of Caesar's champion? Just the opposite (7)
21 Cat left one love by loch (7)
23 Girl blacked for transporting prisoners (5)
25 Cockney takes cover in March (4)

Solution to Puzzle No. 4,179

THE ARTS

Festival Hall

Haitink

by MAX LOPPERT

The conductor of the Sunday evening London Philharmonic concert was, for a period of 12 years only recently completed, the orchestra's musical director, consolidating during that time a position as one of the most justly admired musicians before the public. The conductor of Sunday's Mozart and Beethoven symphonies and of the Poulenc *Gloria* was the same Bernard Haitink, and an unfamiliar one: the old breadth and depth of musical concerns, the old muscular orchestral control, seemed to be combined with a quite new freedom, even flamboyance, of platform manner.

More important, though the matters are closely linked, one sensed in the music-making a new release, a character of outward exuberance matching inward strength. Because in playing of uninhibited brilliance there was not the least suspicion of vulgar show, this *Boffner* Symphony made for once a properly ceremonial effect. So often the attention is perhaps unwittingly drawn to the quantity of the 18th century small-talk in the material; here, one witnessed with delight an astonishingly grand structure being built out of it.

The approach to Poulenc's late choral work was through Stravinsky; and, in the cut and thrust of the rhythms, the sharp clarification of colours, it proved itself as both honest and pointful. (For the absence of the necessary reverberance in the acoustics, it was in any case probably the only method of compensation.) Treated with an excess of overt affection, Poulenc's devotional music can go soft; this was a performance to justify respect and admiration as well as affection. The London Philharmonic Choir has not—how could it have?— a French forwardness of tone, particularly in the tenor section, needed to complement acute instrumental timbres. With Felicity Lott (a late replacement, but a superb one, for two previously announced sopranos) lifting a silver solo line aloft, the vocal side of the performance was quite as radiant as the instrumental.

In Beethoven's Seventh Symphony after the interval, the weight fell most fully on the Finale; on that end the whole performance was bent, in a manner to explain what is understood by truly symphonic conducting. Haitink's Beethoven performances have always contained that kernel of knowledge. The difference, on this occasion, was the sheer elation of the sound—trumpets and horns in searing but never strident full cry, the heat of high summer on the strings, an unforgettable yet purely musical (and musicianly) frenzy to the final pages.

Wigmore Hall

Eugenia Krasnoselsky

by DOMINIC GILL

An unusually large crowd for a Sunday afternoon turned out to hear the Wigmore debut of the Russian pianist and Neuhaus pupil Eugenia Krasnoselsky—drawn perhaps by an impressive (though undated) list of testimonials and reviews quoted in her brochure, including one from another distinguished past teacher, Michelangeli?

This was not strictly speaking, however, Miss Krasnoselsky's debut at the Wigmore. She has played there before, under another name, as Yevgenia Keren: and by all accounts she could be worse advised than to change it again before she plays there next. The best part of her programme that I heard was the Bach Prelude and Fugue (in G sharp minor) which began it: a tolerably thoughtful and reticent performance, decidedly conceived for the Romantic pianoforte rather than for any relative of the harpsichord; and sprinkled liberally with fades *al niente*, but with a certain fragile warmth whole and consistent to itself.

The rest was very much less successful. It was not so much the slips of memory, or the quantity of untidy splashes in the playing, which fundamentally marred her account of Beethoven's op. 2 no. 2—any pianist could have made them and brought the work off in spite of it. Nor was it her unnerving tendency to play 32nd-notes (demisemiquavers) as if they were 64ths, or the very strange things that went on in the staccato bass line of the Largo. Much more important was the lack of any sense of line, or direction, or centre in the performance, and a notable absence of any evidence of close focus or careful thought behind it; and it could be useful, too, and just as important, to recognise at some future date that there is much more to expressive *rubato* than just dragging the tempo of the music almost to a halt every now and then.

Miss Krasnoselsky apparently has very small hands: for in the first three of Debussy's *Images* she arpeggiated any and every chord above an octave wide, as well as many that are not—an extraordinary liberty, and an overpoweringly vulgar and un-Debussyan effect. All three performances, in any case, were in other respects exceedingly approximate, shot through (and all but shot to pieces) with wrong dynamics and pedallings, wrong phrasings and wrong notes.

She devoted her second half to Chopin and Liszt. I stayed for her "West Wind" Etude—whose effect would have been clearer, if no doubt still less appealing, if she had let up the sustaining pedal once or twice more during the course of the piece; and for the first movement of Chopin's B flat minor sonata, delivered with all the intensity of, and about the same impact as, *In a Monastery Garden*. Whatever she does in the future, under whatever name, Miss Krasnoselsky should at least summon all her self-critical respect and remember that, although no mortal name is sacred, the names of Neuhaus and Michelangeli are not yet common enough to be taken in vain.

Dr. Roy Strong wins Shakespeare Prize for 1980

Dr. Roy Strong, the Director of the Victoria and Albert Museum and distinguished art historian, has been awarded the Shakespeare Prize for 1980. The award, one of the most valuable of international cultural prizes, was announced by the Anglo-German jury of the FVS Foundation of Hamburg.

The prize is awarded annually by the Foundation to a United Kingdom citizen for outstanding achievement in the Arts, particularly in relation to the U.K. contribution to the European cultural heritage.

In addition to the honour of the prize, there is a cash award of DM 25,000 (approximately £6,400) and a scholarship of DM 7,200 (approximately £1,850) for one year's study at a university in the German Federal Republic. The prizewinner has the right to select the scholar.

Moholy-Nagy's design and photographs for a book dust-jacket

ICA

Moholy-Nagy: All-Rounder

Just as it is always worth remembering that the great artist is not necessarily the great innovator or trail-blazer, so we must accept that what might often prove to be the most valuable contribution made by the committed avant-garde is not a work of art exactly, but rather an influence and example, a peculiar vision and a way of response. The history of the Modern Movement is in large part the history of true but minor artists of real importance and some achievement; and of those active in the period between the wars, the Hungarian artist, Laszlo Moholy-Nagy stands out as one of the most consistently inventive, stimulating and engaging.

And though it is hard to point to any single item in his extensive and extremely various oeuvre as an undoubted masterpiece, or to identify particular qualities of painterliness or draughtsmanship, or some such graphic facility, his work remains nevertheless as likely and potent as ever it was, most especially so when seen as a whole. The demonstration is clearly and concisely made at the I.C.A. In the small retrospective exhibition that the Arts Council has put together (until February 10, and then on to Leicester, Edinburgh and Newcastle).

The particular preservative or elixir would seem to be a compound made up in equal parts of Moholy-Nagy's two obvious, somewhat generalised virtues, amounting in fact to two sides of his creative personality: the one cerebral, the other practical. Both of them reflect preoccupations current still. His conspicuously intelligent engagement with questions of what Art is, and might be, is clear throughout. We see it in his early concern with constructivist abstractions, his association first with De Stijl and then with the Bauhaus, his contact with Dada, and his sympathetic curiosity across the whole spectrum of modernism: and politically he was excited by the apparent opportunities brought by the Revolution, which seemed then to offer the artist a central rôle in that brave new world.

And there is, on the other hand, his practical gift. Once he begins to put things together, to manipulate and re-arrange material, his work comes alive. Put a tool in his hand, and he would be sure to do something imaginative and creative, a natural experimenter unrestricted by the conventional disciplines of the Arts.

Indeed he revealed himself as a designer of genius, intermediate, inter-disciplinary man and as the commissions rolled in, the more he found himself working for someone else, the more true to himself he seemed to become. And what is remarkable now in all his commissioned work is not how good, how fresh and original, but how unprecious and self-effacing it is. A map of the world modified for the benefit of Imperial Airways, for example, although admirably effective superficially, is in fact something rather more than that, a deceptively wry and thoughtful piece of work that any latterday conceptualist would be proud to show. And the same can be said of his posters for London Transport that explain the mysteries of the escalator and the sliding door, of his window displays for Simpson's, and his work as an exhibition designer generally. His graphic design set its mark on the general style for a generation, setting standards of economy, wit and elegance, that were all too rarely matched, and as rarely acknowledged. The Parker 51 pen, which he designed in 1941, is somehow a fitting and characteristically anonymous memorial to him, and to his life's work.

He was also a great photographer, almost inevitably it seems, and incidentally. He settled in England in the middle thirties, leaving Germany at the time of Hitler's rise to power, and in those few years provided the photographic illustrations to a number of books, dealing in particular with places and circumstances rich in social atmosphere and association. The Streetmarketers of London, by Mary Benedetta, An Oxford University Chest, by John Betjeman, and Eton Portrait, by Bernard Ferguson, are notable examples, each one confirming his singular and unprejudiced vision, besides opening out the genre for other, perhaps lesser photographers to exploit.

Moholy-Nagy died in 1946, aged only 51, and who knows what he might have gone on to achieve. He stood for the community of the arts, for the vital connections that should always be made between artist, designer, architect, craftsman and technician. He had vision enough, and perhaps the capability to affect the physical look of our urban, commercial, technological culture. He might even have lived on until now, and be one of the great men of our time: but all we have to remember him by are the promises a few small things and scraps of paper. We should honour him for those, and learn from them.

WILLIAM PACKER

Pizza Express, Dean Street, W.1

Jay McShann/Al Cohn

Kansas City blues pianist and singer Jay McShann and Brooklyn-born tenor-saxophonist Al Cohn are providing most of the jazz throughout January at Pizza Express, though not together. In between gigs in Dean Street both are playing around England and Scotland. Last weekend, however, they were at home base on successive nights, which presented a convenient opportunity to savour within 24 hours two totally different artists, both among the very best in their particular sphere.

Jay McShann's place in jazz history is guaranteed because it was in his band in the 1939-42 period that alto-saxist Charlie Parker first came to prominence. That aside, McShann is a redoubtable blues and boogie-woogie pianist. On Friday it took him some time to collar the attention of the clientele and for most of the first set it was music to eat pizzas by. Then some irresistible vocals grabbed the ears and from then on his rolling, humour-filled piano playing and understated singing —his voice is not deep or powerful but it oozes the blues — was a snowballing hit.

When he got hold of a bluesy number such as "T'aint nobody's business if I do" he got stuck in with huge, gleeful relish. Sometimes, especially in standards, he fell into a stereotyped groove with an almost mandatory bass solo from Lennie Bush (albeit always highly listenable) following his own opening choruses. But this was a small irritation. Apart from Britisher Bush, fellow Kansas City musician, Paul Gunther supported McShann on drums in the most tasteful, unobtrusive way.

*

Next evening the jazz was of a different colour, the sustained quality of which was signalled right from the start when Al Cohn's backing trio warmed up with a weaving, probing examination of the usually trite "My Secret Love." Maybe inspired by this Cohn himself launched into a no-nonsense workout on "Zoot Suit" where his light, melodic style, redolent of Lester Young, breezed along effortlessly, so smoothly, so coolly. Then came an impact-making waltz version of the usually sad-tempoed "Mood Indigo," which was far from a gimmick interpretation. From then to the end of the final set everything got better and better. It was one of those rare, magical evenings when four musicians, not regular associates, inexplicably inspired each other to lofty heights: a session in which the jazz jigsaw fitted together: no loose ends, no straggly playing, no upstaging. Just four fine jazz men happily hitting top form at the same time.

At one point it did seem that Cohn was going to emulate Jay McShann and not vary the solo sequence of the tunes but as the sets developed he added variety with such devices as stop-time choruses and organising unison passages just with pianist, bassist or drummer. Cohn's own playing, a delight of fluency and logicality though peppered with sinuous twists, was, as earlier indicated, strongly supported by his rhythm section. Not for the first time at Pizza Express pianist Roger Kellaway compelled unwavering attention. His highly individual picking of chords at once suggests he is trying to evolve a new piano style. Then he breaks loose to show he has a lot of *mean* ragtime in his soul.

Bassist Peter Ind, always energetic and deeply involved, contributed solos of rounded structure and tonal beauty, though handicapped in the first set by poor amplification. Drummer Kenny Clare's accents and nuances, his goading and constant enthusiasm, were the final seal of excellence on this memorable evening of jazz making.

Both Jay McShann and Al Cohn return to Pizza Express for several dates before January 31. Ring 437 9595 for details.

KEVIN HENRIQUES

Tower, Canonbury, N.1

The King's Clown

American writer David Vando courageously seeks to combine his abilities with those of Molière to depict the frustrations and tenacity of the man who diverted and satirised the Court of Louis XIV. Scenes from *Tartuffe*, *The Miser*, *The Bourgeois Gentleman* and *The Imaginary Invalid* are interlaced with Mr. Vando's narrative of the tragi-comic and farcical aspects of Molière's life.

It is a neat contrivance—and some of it seems very contrived. When, after the playwright's death, his collaborator La Grange (David Kitchenham) has the idea that the company will describe Molière's life, there is a triteness that would beg a cue for a song in a second-rate musical. At the conclusion Molière lies delirious and is visited by figures from his past, spot lit behind a gauze. How many times are we to be haunted by this device?

The play, receiving its British première, is tidily constructed, albeit self-consciously so, and usefully charts Molière's pervading sickness and his determination, at any cost, to keep his company going—a point not lost on the enthusiastic Tavistock Repertory members who grew in confidence to become very much a company by the end of the evening.

Mr. Vando does instil a humour and pace into his episodes that is not out of keeping with the Molière extracts. The seams do not show and this is no mean feat. The second half, prone to moralising, is less telling and Mr. Vando and director Robert Pennant Jones should get far more impact into the denouement of the sub-plot concerning the identity of Armande, Molière's estranged wife, nicely-judged by Valerie Whitehouse.

The Tavistock company is well able to meet the challenges of plays-within-a-play, relishing the Molière aided by Mr. Pennant Jones's lively and detailed direction. David Kitchenhams' Tartuffe was a splendidly-animated caricature and David Crawley, sympathetic as Molière, was a genuinely funny miser. Jill Batty, perhaps a too-youthful Madeleine, also impressed.

ICA

Cage

"MusICA," the series of contemporary music concerts devised by Adrian Jack, continued its second season at the ICA on Sunday evening with a programme devoted to John Cage. The thrust of these concerts has always been towards the "experimental" school, and such a tribute to its natural progenitor was inevitable and timely. Lip service is paid to Cage's music too often in this country. Only by regular performances by ensembles experienced in realising the indeterminate scores will we be able to evaluate and assess the intrinsic quality of his music—its significance for the recent avant garde is unquestionable. The depth of Cage's neglect was emphasised by the inclusion of *Sixteen Dances* of 1951 in the ICA evening; this was its first performance in London.

Scrupulously performed as it was by Music Projects/London, directed by Richard Bernas, it proved one of the more fascinating of Cage's middle-period works. Contemporary with *Music of Changes* and following the String Quartet, *Sixteen Dances* is fully notated and scored, derived from the rhythms of a set of dances choreographed by Merce Cunningham. Fragments of melody and harmony are superimposed and refracted using procedures with "magic squares"; the result is given to an ensemble of piano, violin, cello, flute, trumpet, and four percussion. It lasts nearly an hour and could be 20 minutes shorter, but there is something fascinating in its obsessive play of textures and motives. Piano ostinatos are punctuated and broken up by jagged chords, the elements are reformed and redistributed: motives pass between the instruments moving in and out of phase.

Cage would doubtless now regard the result as merely the product of pre-determined mechanical process, but he can not disclaim all responsibility for the moments of genuine beauty and interest. In *Atlas Eclipticalis* of 1956-57, however, the result is much more variable and the focus more firmly directed towards the sounds themselves. Pitches were obtained by projections from maps of the stars and distributed among the parts (a maximum of 86) by recourse to the I *Ching*. Music Projects performed Atlas together with the later *Winter Music for piano*, as the composer suggests.

It's difficult for conventionally trained musicians to obtain the completely free association of pitches that Cage requires in *Atlas*: a percussionist cannot resist ending a sequence of drum strokes with a reverberating cymbal, a wind player inevitably gives some shape and direction to his cluster of notes.

ANDREW CLEMENTS

Elizabeth Hall

Mainly Beethoven

"Mainly Beethoven" again, yes, but with the delectable addition of three of Haydn's English "canzonets," sung by Sheila Armstrong as winningly as the ones she offered last summer at the Wigmore Hall. Again her tone was silvery, fresh and vivacious, the rhythms taut and springing, with a hint of a chuckle somewhere in the voice. In Martin Isepp's hands the accompaniments were correctly bright and forward, each a pleasure in itself. More, please! Haydn composed a dozen of these; Miss Armstrong really ought to record the lot.

For five of Beethoven's Celtic folksong arrangements, the accompaniments were taken over by the Parikian-Fleming-Roberts Trio, and Miss Armstrong was joined by John Shirley-Quirk. Beethoven took some trouble over the work, and the Trio rollicked in their music; the singers were unanimous in feeling, though it must be said that their voices did not make a natural blend — in duet with Miss Armstrong's open sound, Shirley-Quirk's baritone seemed constricted. Earlier, in the cycle *An die ferne Geliebte*, his sensitive intentions had been somewhat compromised by similar suggestions of heaviness and effort. If the words of the songs are occasionally lachrymose, Beethoven's settings have a joyous gleam that was chiefly to be heard in Isepp's crisp playing.

DAVID MURRAY

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Egypt, Israel and the West

AT THEIR recent summit meeting in Aswan. Preaident Anwar Sadat of Egypt and Mr. Menabem Begin, the Israeli Prime Minister, spent mest of their time discussing the least controversial question on their ageoda. They had oo difficulty in condemning the Soviet military intervention in Afghanistan. Both wished to gain wbat dividends they could from identifying themselves with the Western cause aod offering their services to help thwart Russian expansionism. For the time being, at least, the Afghan affair has overshadowed the Arab-Israeli conflict. Clearly, however, it will not make the implementation of the Egyptian-Israeli peace treaty any easier and even less pave the way towards a cemprehensive Middle East peace settlement.

Autonomy

Israel was quick to make use of the super-power confrootation over Afghanistan as an opportunity to demonstrate itself as a bastion of the West, to obtain more military aid, and to forge closer links with the U.S., not least by making available military facilities. Its hope also was that the gentle—arguably feeble—pressures from Washington for concessions in the direction of a more meaningful form of autonomy for the inhabitants of the occupied territories might be eased.

However in apite of the honhomie and good personal relations demonstrated by Mr. Sadat and Mr. Begin, Egypt has made clear its determination not to compromise further on the issue of Palestiniao self-determination. Having refused to comply with Israel's request for a substantial increase in military aid, the U.S. has not only opted for Egypt's facilities and carried out joint air force exercises. It bas also asserted with greater conviction than before its view that the establishment of a form of autonomy satisfactory to the inhabitants of the West Bank and Gaza Strip is more imperative than ever.

No progress was made at Aswan towards resolving the deadlock between Egypt and Israel on the form of self-determination to be graoted to more than 1m Arabs who bave now lived under military occupation for more than 12 years. Israel has continued to insist that autonomy should apply to people and not to the territories concerned and that it should be administrative in nature and not legislative or juridical.

Israel bas also rejected any linkage between the negotiations on Palestinian autonomy and the implemeotation of the peace treaty. Not only Mr. Begin but also the Labour Opposition in Israel say and apparently believe that the creation of a Palestinian state of any kind can only lead to the establishment of a Soviet presence in the beart of the Middle East, jeopardising the very existence of Israel and Western interests.

Egypt haa maintained that the negotiations must lead to iodependence and that peace with Israel is organically linked to the Palestinian issue. With such a basic difference and with Israel firmly in possession of the territory in question, Egypt can only bargain over the pace of "normalisation" of relations with Egypt. "Normalisation" is an integral part of the treaty and is supposed to be brought about when amhassadors are exchanged on January 26.

More flexible

In the best of worlds the process must be a gradual one. Whatever Mr. Sadat'a assurances to Mr. Begin, Egypt evidently intends to slow it down. Such tactics are the only means of bargaining at its disposal—apart from American pressure and persuasion—to try to bring about a more flexible Israeli attitude to the future of the occupied territories.

In the last resort Egypt belongs to the Arab world and values its membership of it more than relations with Israel. It has no choice but to reject the unchanged Israeli concept of autonomy. Objectively, meanwhile, no form of self-government that does not satisfy the people of the occupied territories can be worth establishing. Unsolved, the Palestinian problem will remain a source of instability that has in no way been removed by the crisis over Afghanistan. Certainly the search for a formula that fulfils Arab aspirations and recognises Israel's concern for her own security remains a daunting task especially as long as the Palestine Liberation Organisation refuses to recognise the Jewish State's right to exist. Meanwhile, however, Mr. Begin and his colleagues must he deluding themselves if they really believe that the West is likely to give unreserved support to their assertion of effective Israeli aovereignty over the occupied territories.

Fiscal policy in recession

IN AN important speech yesterday the Financial Secretary to the Treasury, Mr. Nigel Lawson, restated and clarified the Government's fiscal objectives and the reasooing behind them. It is no news, of course, that the Government la committed to a long-term downward trend in public sector borrowing; but aome of the Governmeot's critics, including a mioority of its supporters and official advisers, bave been urging receotly that it would be right to relax the pursuit of this objective when a recession is threatening. Mr. Lawson showed both that Ministers understand these arguments, and why they reject them.

Confusion

There are in fact two lines of argument involved, which have become hopelessly confused. The first rests on a continuing belief in demand management—the idea that the Budget can and ahould try to offset likely movemeots in ecooomic growth, adding to demaod in a recession and cutting it hack in a boom. Tbose wbo bold this view have recently adopted a new brief: a Baok of England researcb paper wbich shows that in "real" terms the borrowing requirement has been low or negative in recent years, once account is taken of the real capital loases incurred by holders of the National Debt.

Mr. Lawson made it clear that, in the Government's view, this wbole line of argumeot is mistaken. If tbe Government has a firm commitment oo containing monetary growth, as it bas, he argued that the fiscal balance caonot iofluence total demand. A high borrowing requirement simply raises interest rates, an dfavoura consumption—includiog public coosumption—at the expense of investment.

Inflation

It is the rate of inflation rather than the level of Government horrowing which controls the growth of total demand, ss he argued, and as we also believe. A fall io ioflation makes monetary policy less constricting, and directly releases corporate finance otherwise required simply to maintain activity for more useful purposes. It is perhaps worth adding that a fall in inflation also increases the "real" value of the borrowing requirement as measured in the Bank of England paper. Inflation accounting seema to support the Government's analysis, not that of its critics.

However, a second dehate has heen going on for some months in response to a speech by the Chancellor of the Exchequer, wbich was opeo to the interpretation that the Government would have to cut spending eveo more sharply hecause of the prospect of an economic downturn, which would reduce revenue.

This inspired a number of critics, notably including the Government's new economic adviser, Professor Terry Burns, to point out that such a rule would actually risk a downward spiral, in which Governmeot spending would be further cut in responcse to every cut in private spending.

Yesterday Mr. Lawson made it clear that the Government does recognise tbe implications of recessioo: it might raise the borrowing requirement above the falling long-term trend which the Government is trying to acbieve, leading to little change in recession years, with reductions when reviving activity and revenue made this possible.

Constuctive

We find oorselves in entire agreement with this basic philosophy—though an analysis of this kind is by no means a complete ecooomic policy. We would stress first that not all waya of reducing public aector borrowing are equally helpful; cuta in expenditure, and especially of course io wasteful expenditure, make a far more coostructive contribution than the imposition of higher prices and charges. The Governmeot's methods of financing its own borrowing may also affect the burden, especially in the long term; debt service, after all, is now the largest item in public spending. But it is to he hoped that this clear and logical statement may help consolidate the recovery in confidence which promises to reduce the debt service hurden in the most painless available way.

NORTH SEA OIL

BY RAY DAFTER

Revolutionary concepts open up new vistas

VISUALISE an oil production platform, fully assembled, being towed to the middle of the North Sea where it is coonacted to a cluster of already-drilled wells, and for 15 to 20 years the floatiog platform rides out the wavea while it drains one of Britain's medinm-sized offshore fields. And at the end of that time the wbole unit is then towed to another field to be put into operation all over agaln.

Or—ao even more revolutionary idea—a specially converted oil tanker steama to a seemingly insignificant marker huoy far out in the North Sea or, perhaps, tbe Atlantic. There a proboscis-type tuhe is lowered and oil is "sucked" into the vessel's storage tanks. The tanker is operated on a shuttle service between the field and an oil port nntil either the field is depleted or enongb information about the reservoir baa been obtained for a permanent production system to he used. The vessel is then sent off to exploit reserves elsewhere.

A few years ago these systems lay well heyond the frontiers of offshore technology. In the main, companies had little alternative but to produce oil througb permanently-fixed structures: giant concrete structures, heavier even thao the biggest tanker, or lofty steel platforms, pinned to the seabed hy piles up to 420 feet long. The rising cost of these massive edifices, combined with the obvious limitation of water depth, restricts the use of fixed platforms to those fields which are fairly hlg and lie in water depths generally no greater than 800 to 1,000 feet.

Now that the UK is close to energy self-sufficiency and with North Sea oil prices around $30 a barrel — almost double the level this time last year — the industry is in the mood to apply new technology in a bid to exploit reservoirs previously beyood its reach.

A breakthrough came last week when, after mucb speculation, the U.S.-based Continental Oil (Conoco) group and its North Sea partners announced that they would nse the world's first tension leg platform (TLP) to develop the Hutton Field. The group, which also includes the Britiah Natiooal Oil Corporation, British Gas, Amoco, Amerada, Gulf, Mobil and Texas Eastern, are to spend £600m on the project.

The cost is little different from the money the group would have to spend on a conventional steel platform. What is more, the depth of water above Hutton is only 485 ft, well within the range of fixed platforms. However, Conoco argues that it is wise to try out tha TLP system at a depth where divers can be used.

Mr. Dennis Gregg, Coooco North Sea's vice-president in charge of the project, explained: "This gives us diver back-up in case it is needed for installation and operation.

The TLP system is designed to operate at depths up to 2,000 feet. Therefore it opens up for development a large new area of the UK Continental Shelf, mainly to the north and west of the Shetland Islands and Outer Hebrides. Several hundred million tonnes of prospective additional reserves (not yet discovered) have probably been put in the reach of oil operators. Each 100m tonnes would be sufficient to keep the UK fully self-sufficient in oil for 12 months.

The Tension Leg Platform is a floating structure, anchored to the seabed hy vertical mooring lines. In the case of the Hntton Field these lines will be hollow tubes of steel, nine inches in diameter with 3-inch thick walls. When the platform has been towed into position the mooring lines will be attached to locking devices pinned to the seabed.

One of the great advantages of the TLP is that the structure can be easily unhooked and towed away once the field is depleted. Once refurbished, the platform can be used again in another field.

Even greater flexibility is incorporated in a production system now being developed by British Petroleum. Indeed if successful, it will make offshore oil operators reassess the recoverability of oil reserves, in particular to redefine the meaning of economically marginal fields.

Marginal fields are large accumulations of oil which cannot quite be exploited economically, given existing tax rates, oil prices and so forth. Until quite recently it was reckoned that fields would have to contain at least 100m barrels of recoverable reserves before they justified exploitation. As oil prices have risen and technology has improved, so the threshold reserve figure bas been redneed to a point where it is now between 45m and 70m barrels, depending on the field's location and characteristics.

Built-in tanker facilities

But BP's proposed new production system raises the enticing prospect of a commercial field with just a few million barrels of recoverable reserves. It would do away with the need for a platform—fixed or otherwise. All the recovery facilities would be carried in a tanker whicb might apend a month producing oil and four or five days ferrying the crude to shore.

BP has labelled the idea SWOPS—Single Well Offsbore Production System. It would work like this:—

A well, drilled in the normal way, would be fitted with a special type of seabed wellhead atructure. Apart from a sonar transmitter on the seahed and a marker buoy on the surface—each needed to belp the tanker captain to locate the well—there would be no other fixed installation. The remainder of the production facilities would be built into the tanker.

The ship would be equipped with a derrick through which a flexible riser pipe could be raised and lowered. The riser would be designed to lock on to the wellhead. Oil would be produced in the normal way, with reservoir pressure helping to push the crude up the riser and into the tanker. The crude oil would be processed in gas and water separators before being stored in normal tankers. The gas separated from the oil could be used to fire the ship's boilers because the vessel would need a good deal of fuel. Throughout the recovery operation the tanker would be kept on station by means of adjustable thruster motors.

In bad weather the tanker would have to stop loading and retrieve its riser. Normally oil companies try to avoid such interruptions. They hate seeing costly equipment lying idle. But with SWOPS a stoppage would be less irksome. BP estimates that it would cost no more than £25m to £50m to convert a 50,000-60,000 tons tanker and instal the well system.

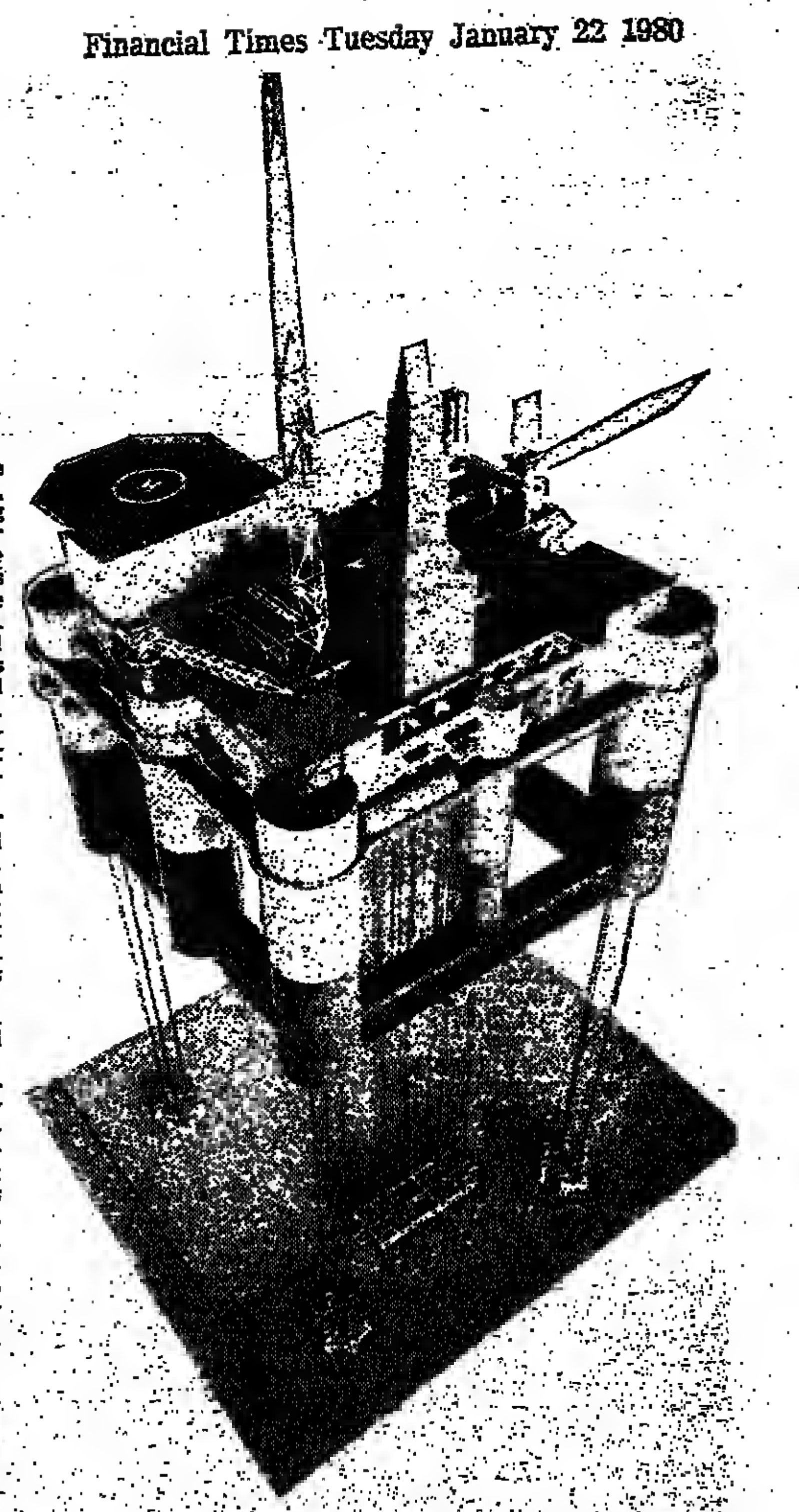
Dr. Jack Birks, a BP managing director with responsibility for oil and gas technical development, said that althongh the concept was revolutionary it would pull together various aapects of proven technology. Oceanbed wells have heen installed in a numher of North Sea fields. The industry has experience of raising and lowering riser systems.

The SWOPS idea crystalised in BP's minda only a matter of months ago. Development work is continuing. But already the group is seeking a suitable site for its application. Ideally, the company would like a field where the flow of oil through a single well would be at least 4,000 to 5,000 h/d. But that does not mean that the field has to he tiny.

One of the big advantages of SWOPS is that it can be used for an extended test on a large field which later would have to be exploited through a more conventional system. Drilling rigs are too expensive to be left over a newly discovered field for months on end, testing the quality of the oil and/the characteristics of the reservoir. Furthermore, it is a wasteful business, for invariably the produced oil has to be burned. An exploration rig bas no storage capacity. SWOPS would have facilities for producing, testing, storing and transporting all of the recovered oil.

BP has a number of oil-bearing concessions where SWOPS could be used, inclnding its discovery in the Porcupine Basin off Ireland's west coast. There BP is said to have discovered a reservoir which, at present, looks too big to be ignored but too small to be a commercial proposition.

More significant, the system could be used for an extended test on the very big reservoir of heavy oil which has been identified abont 40 miles west of the Shetland Islands. BP, Chevron and Imperial Chemicals Industry discovered this so-far-unnamed field in block 206/8 in August 1977. Since tben nine further wells have been drilled in the vicinity: three on block 206/8, and six in the adjacent blocks 206/7 (Elf/British Natinnal Oil Corporation), 206/9 (the Mohil Group) and 206/12 and 206/13 (Esso).



Model of Conoco's tension leg platform for the Hutton Field.

According to Dr. Birks, the estimated amount of oil in place is between 3.5bn and 4bn barrels, of which about 2.6bn is in block 206/8. To put those figures in perspective, BP's prolific and lucrative Forties Field also contains some 4bn barrels in place.

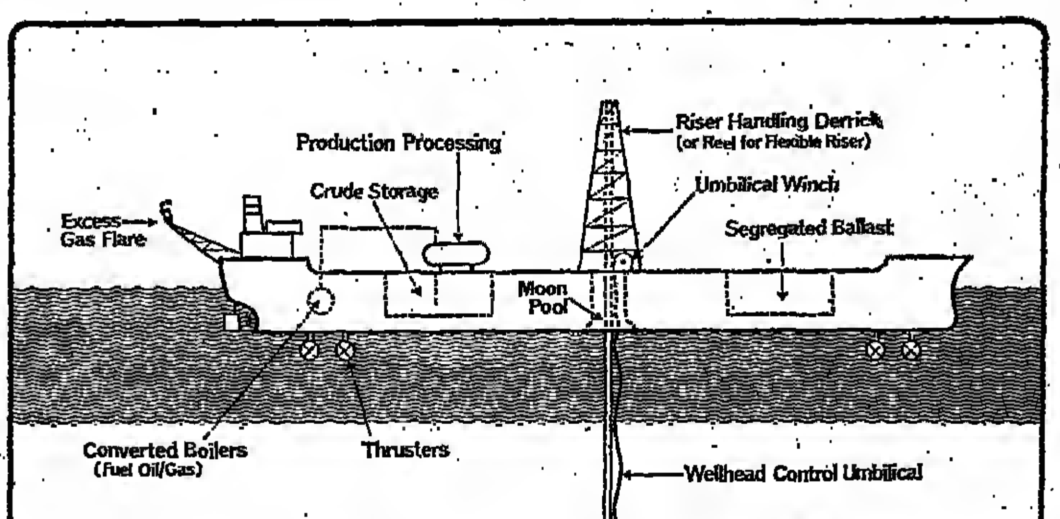
Unlike Forties, the West Shetland oil does not flow well. The oil is heavy by UK standards (its specific gravity is about 25 degrees API); it is thick and sticky. To make matters worse the reservoir rock itself is of poor quality. As a result, BP reckons that under normal recovery conditions it would be possible to recover only 6 per cent of the oil in place compared with a 46 per cent recovery factor in Forties.

This year BP and its partners plan an experiment to see if they can improve the recovery performance. They intend to fracture part of the reservoir by injecting a fluid under pressure. This fluid will contain a "propping agent"—finely ground solids like tiny ball bearings—which will keep open cracks. In theory the oil will flow more freely through these cracks.

If the experiment is successful BP may decide to use SWOPS to run an extended production test for several months to see whether the flow rate can be maintained or whether it falters and dies away. If the signs are encouraging BP and its partners could authorise the full-scale development of the West Shetland field or, more cantiously, choose a pilot development scheme. One such pilot scheme considered by BP Petroleum Development, Aberdeen, would involve the drilling of up to five wells linked to a floating production platform. The shallow depth and the long, thin shape of the reservoir limit the number of wells which can be drilled from one location.

Had the West Shetland reservoir been on land the field might well have been on stream by now. Wells could have been dotted all over the reservoir. Steam could have been pumped down to reduce the oil's viscosity, to make the crude flow more freely.

Such practices are out of the question offshore — at least for the time being. Industry must find other ways of teasing oil from fields deep in the Earth's crust, hundreds of feet below water. But the industry is managing. Through the application of systems like Conoco's TLP and BP's SWOPS Britain's North Sea reserves will be stretched. Fields once considered to be too small or too remote are now being brought into the reckoning. Given careful husbanding —and the Government is currently grappling with the components of a new depletion policy — there is no reason why Britain's oil resources should not be made to last well into the next century. There is a growing body of opinion within the offshore industry which maintains that improving technology should enable the UK to remain self sufficient in oil at least until tha year 2000.



British Petroleum's Single Well Offshore Production System (SWOPS)

MEN AND MATTERS

Last post for the country P.O.

Given the vagaries of the delivery system these days, the Post Office may take a little while to deliver the 635 letters —one for every MP—sent off yesterday by Norman Taylor, general secretary of tbe National Federation of Sub-Postmasters. This organisation, based in rain-lashed Shorebam-by-Sea, is currently exercised by tbe strong possibility of its members heing, at a atroke, reduced from 21,000 to 18,000.

According to the Post Office this would be the consequence of proposala to make cbild benefit and other payments fortnightly or at even longer intervals—even possibly to pay them directly ioto bank aod saviogs accounts. The result would be an immediate loss of income to sub-postmasters of 20 to 25 per centre. From a government point of view, such cbanges make per fect sense. Every time a child beoefit voucher is casbed, for instance, the Department of Health and Social Security pays a fee of 35p. If this voucher is paid directly into a savings account, the cost shrinks to 5p a time.

The news for sub-postmasters is not quite as bad as it would bave been a few years ago. Tbe Post Office now compensates those forced into closing up shop with 18 mooths' salary and otber beuefits.

But for the wider public the proposed changes could have more profound implications. About 70 per cent of the husiness of sub-post offices is concerned with tbe payment of benefits. In Taylor's words, they are a central part of "the all-embracing welfare state." For inatance, tbe DHSS has pursued a deliherate policy of ahutting smaller offices; both it and the Department of Employment place increasing reliance on post offices. "They are," says Taylor, referring to the powers tbat be, "are looking at things from a purely mooetary point of view without regard for the social consequences. . . . What is heing suggested is so evidently ludicrous I can't contemplate them really doing it."

Among the consequeoces he (and incidentally the Post Office Users' National Couocil and the local authorities) foresees is peosiooers and others, used to weekly hudgeting, running quickly into debt. More forcefut, perbaps, is the argument that many of the post offices wbich would close are in the country, leaving maoy clieots with no other choice tban to trek to the nearest town.

In case the MPs do not respond to Taylor's cri de coeur, his Federation is next month mounting a national lobby of Parliament.

Under control

While Britain's youngsters are not getting any toys through the occupying workers' blockade at the Liverpool Meccano factory, their parents may be bappy to learn that equipinent essential to their success at school will soon he allowed out.

Geoffrey Shillito, director of the National Centre for School Technology at Trent Polytechnic, told me gleefully yesterday that be had won assurances from the sit-in workforce that it would release stocks of kits used in "O" level and CSE courses on control technology.

The courses, Shillito explains, enahle children to apply the dry facts dinned into them in maths and physics lessons to practical projects in the fields of engineering, electronics and fluidics. "The kids are motivated into actively enjoying the lessons," he says.

These sophisticated building sets, costing abont £140 each, bave been made on contract by Meccano since control technology was introduced to the curriculum in 1970. They are now used in about 500 schools and the prospects for further expansion seem bright since "A" level courses are also being planned.

Sbillito bas extracted from Airfix, Meccano's parent, a half-promise that manufacture of the kits will be resumed. But since he still does not know wbere or when, be is keeping his options and his eyes open, and is ready to consider sources of supply other than the present one.

Knowing question

Some readers will be familiar with the fiendish examinations inflicted on would-be high flyers entering the Civil Service. Lasting np to a week, these involve, for instance, being subjected to a mock TV interview—in front of a video camera—by someone impersonating Robin Day in a tough mood. The film is then watched and criticised hy all the fledgling flyers.

Another favourite involves entrants writing a description of tbemselves from the point of view of a friend . . . and then of an enemy. Nowadays the acuity of the men and women guarding the corridors of power is not to be underestimated. Indeed, an essay question in CS exams last week required entrants to "Choose any city in the British Isles and describes how yon would organise it for the Olympic Games."

Crushed comrade

Hans Klein, a young East German who hoped to walk the 1,000-odd miles from Berlin to Moscow for the Olympics, yesterday made the mistake of publicisiog his scheme and for his pains saw his spirited ambition comprebansively and publicly crusbed by the editor of Junge Welt.

"What do you think of my idea?" Klein asked in a lettar to the paper. With leaden efficiency the editor responded with a volley of noes. No room in Moscow hotels, no tickets, no official facilities for rambling or cycling across East Europe, and no unofficial trips allowed without a sponsor in Russia.

In what I take to be a reference to the vast distances between wayside bosteiries rather than Klein's ability to last the trip, he added: "It can be assumed you would not be able to reach a hotel eacb evening so that you would not be able to be received in a manner befitting a guest in Russia."

Mystery member

Eager to bring my readers ever deeper insights into tbe workings of the business and financial world, I asked Stock Exchange chairman, Nicholas Goodison, yesterday what the Exchange hoped to gain from its recent, strangely unpublicised, decision to join the Confederation of British Industry. "I find that a difficult question to answer," he confided. "I can't join the TUC, can I?" The CBI—even more curiously—professed to be equally nonplussed.

Observer

FINANCIAL TIMES SURVEY

Tuesday January 22 1980

ARAB CONSTRUCTION

Competition is growing fiercer as Arab countries complete the major phases of their development projects. Governments are able to force contractors to take lower profits and developing countries, in particular South Korea, are claiming an increasing share of the business. For this year at least, the market's expansion is likely to continue, but it has almost reached its peak.

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Demand peaking but still plenty of work

THAT THE Arab construction market would not continue to expand at the breakneck speed of recent years has been accepted now for some time. There were ioevitable limits to what tbe oil-rich countries in particular could absorb. As a result, attention has moved from the installation of first generation infrastructure (in Kuwait, for example, this has been in place for more than a decade), and from over-ambitious development plans.

Selection of industrial projects has become more sopbisticated, and greater attention is being paid to socially beneficial programmes such as housing, education and hospitals.

But for the moment the market continues to expand. Estimates by Plantecon (Overseas) Research sbow that the *construction market* of the 12 main Arab countries in the eastern part of the Arab world was worth $38.4bo in 1978 and that this was at least a rise of more than half over the previous year. *This particular calculation omits* Libya and Algeria.

But Libya in any case had recorded a decline in its construction market in 1978 of 13 per cent and is probably only a moderate prospect for construction growth in the future. The major share of the market was taken by Saudi Arabia with 58.7 per cent, followed by Iraq with 16.2 per cent.

Last year the market as a whole bad grown by 5.8 per cent to $40.6bn with Saudi Arabia still growing at an above average overall pace, and with Iraq significantly expanding at the second *fastest rate—13.1* per cent and totalling $7.1bn. The swiftest expanding market was again of some importance. It was Jordan whicb, althougb not of great size wben compared with others, grew at 35 per cent during 1979, only slightly below that of its rate the previous year.

However, Plantecon, following its calculations reproduced in the current edition of Middle East Materials and Equipment, estimates that the size of the Arab market is likely to change significantly over the next few years.

The Saudi market, and this can be taken as a general guide to the market as a whole, will reach a peak of $24.1bn this year, a marginal rise over last. But thereafter it will decline until it reaches $15.1bn in 1985, a fall of 37.3 per cent.

Over this period the cost of materials will reach a peak of $11.6bn in 1980 (accounting for 48.1 per cent of costs), and decline in 1985 to $6.1bn (or 40.4 per cent), while labour charges will gradually take a larger sbare of costs, rising from 31.5 per cent ($7.6bn) this year to equal the percentage total and costs of materials.

Plantecon believes, too, that the overall diminution in the market will be larger than that experienced in Saudi Arabia, in Kuwait (already down by nearly 10 per cent in 1979), Bahrain, Qatar, the United Arab Emirates (UAE) and Oman. Last year, only Abu Dbabi in the UAE and Oman recorded growth in their construction markets.

At the same time as the decline in these predominantly oil-producing countries of the Arabian Peninsula continues, *Plantecon anticipates that Arab* countries characterised as being either effectively without oil, or minor exporters, or virtually self-sufficient — i.e. Egypt, Jordan, Sudan and Syria—will *grow* in terms of their construction markets through to 1985. In these countries the needs are mainly for basic infrastructure.

Exception

The notable exception in the eastern Arah world among oil prnducers is Iraq. Most observers are agreed that this market will continue to expand. In the western part of the Arab world, Algeria, which is on the point of launching a new five-year development plan, will he laying stress on housing and educational projects rather than, as before, on developing industry. In the Maghreb area, (comprising Mauritania, Morocco, Algeria and Tunisia) Algeria is probably the only candidate for an expanding construction market.

Thus, even if the Saudi market and its share as a whole declines to the level forecast (and these are in real terms based on 1979 prices and exchange rates against the dollar), it will remain large. For even a Saudi market of $15.1bn in 1985 would be more than twice the size of any other Arab market assessed for last year.

Inevitably, fnrecasting is a hazardous business, and these estimates dn not and cannot include the potential political uncertainties of not just the Arab world, hut a region wbose links and problems stretch over into Iran, Pakistan, and above all Afghanistan.

For example, as a result of the seizure of the Great Mosque in Mecca in November, and the taking nf the U.S. diplomats as bostages in Tebran, the possibility was raised that American representation at the current large construction exhibition in Jeddah would be reduced. (It did not, in the end, affect it.)

But the fact remains that there is almost no country in the Arab world which has not drawn the conclusinn from the overthrow of the Sbab of Iran hy the followers of Ayatollah Khomeini that the Pahlevi dynasty was ripe for removal. Economic development had proceeded at a reckless pace, disrupting the hasic values of ordinary citizens, so that they had nowbere tn turn but religion. And religinn in this form rapidly hecame a force beyond the control of any government.

The developments in Iran and Afghanistan bave caused apprehension on the Arabian Peninsula (and in fact, by an unexpected irony, Oman — crucially situated to control the Straits of Hormuz — seems to have been the only State in the area not to have suffered overt unrest), and this in turn must cause contractors to worry that the example of Iran, wbere a mass of major contracts has been cancelled, might, in the event of political upheavals, occur elsewhere.

It is *interesting* that in fact the cancellation of these contracts has not resulted directly in Increased Western competition in the Arab world. A high proportion of the contractors in *Iran* were not *already involved*, there and so far bave not shown signs of wanting to relocate their activities to this region.

In addition, the Soviet invasion of Afghanistan must raise questions ahout *its long-term* aims in the area, in part for strategic reasons and particularly because during this decade its need to import oil will increase.

Finally there remains the Arab-Israeli conflict. Tn some extent the *plight* of the Palestinians has been overshadowed by events elsewbere and by the fact that Egypt and Israel seem determined to continue to press ahead with their bilateral agreement reached at Camp David and signed in Washington. But there will undoubtedly be a hostile Arab reaction to the exchange of ambassadors between Egypt and Israel, planned for February 26.

Favour

Against this political uncertainty must be set the fact that if the size of the construction exhibition in Jeddah is a guide, with more than 600 companies represented, potential contractors still appear to favour investment in the Arab market.

But various characteristics over the next few years are bound to be strengthened. The first and most obvious is that with the market overall shrinking, competition must become stiffer and just as developing countries, with South Korea in the lead, will press their claims through lnwer prices, so also will the contracting companies of the West seek to offset the recession there hy trying to make money in the Arab world.

Second, this must inevitably strengthen the negotiating hand of the host Governments who have already been ahle to play off bidders against each other in nrder to talk them into even lower prices. Furthermore, the cost of borrowing money has risen.

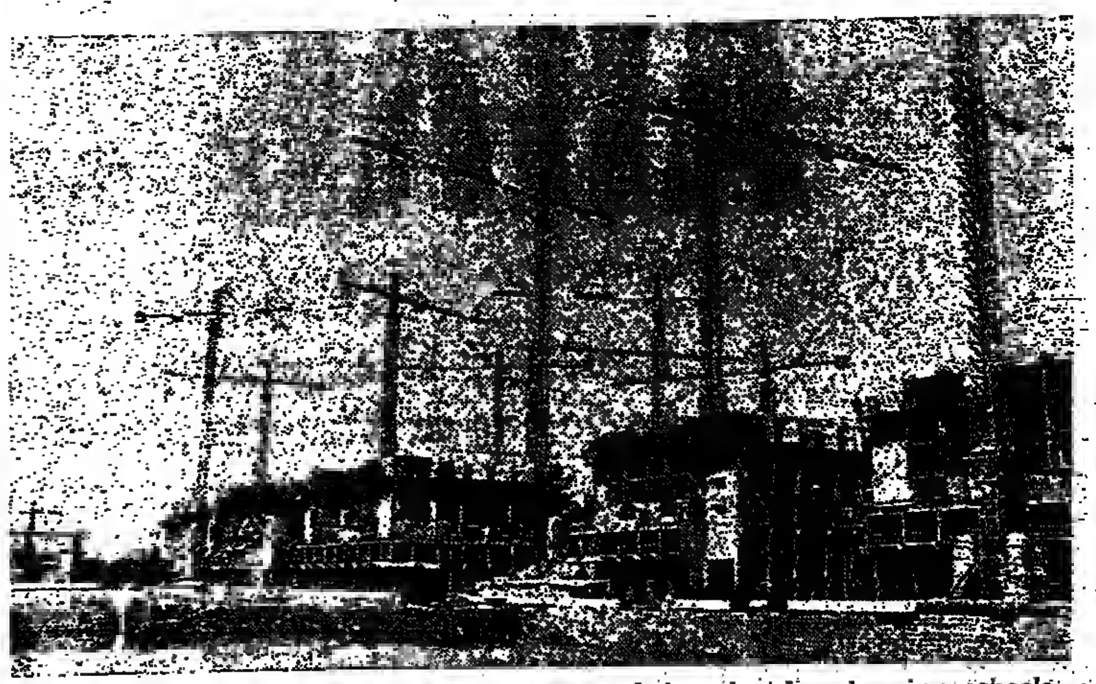
Third, the nature of industrial projects has changed, with less emphasis on extravagant dnplication and more on complementary export orientated ones, based on local hydrocarbon resources.

Fourth, the size of contracts is likely to diminish. Turkish contractors who have made surprising inroads into the Arab market, and wbo claim to be working currently on contracts worth a total *of more than $2bn*, reckon that the next generation of contracts will be mainly *within* the *$10m and $100m* range.

Fifth, the market now clearly favours those who have already aequired experience there, and above all have the equipment on the ground. For it is increasingly difficult to mobilise new sites. Newcomers, unless toey have something special and sophisticated to offer, will find the Arab market difficult to penetrate.

Sixth, there is a trend towards local contractors competing more aggressively. For example, Egypt's largest contractors are, for most projects, nearly self-sufficient. Finally, there must be the additional calculation that because the construction market in the Arab world—although likely tn he lucrative for some years to come—has passed its boom period, contractors will begin to look elsewhere, towards the Far East in general and possibly Indonesia in particular.

Anthony McDermott



A housing estate in Jeddah. Emphasis is now being placed on housing, schools and hospitals

12 MIDDLE EAST CONSTRUCTION MARKETS 1978 & 1979. (1978 PRICES)
($m.)

$ mil. 1979/78 Market	Total '78 Construction	Labour	Material	1978 New Equipment	Used Equipment & Parts & Service	All Other Items (2)	1979 Total (1) Construction	% change 1978/79
Abu Dhabi	470	160	190	55	16	49	520	10.6
Bahrain	370	126	122	45	20	57	350	−5.4
Dubai (3)	1,270	470	545	88	24	143	1,050	−17.3
Egypt	2,350	1,110	836	198	83	123	2,460	4.7
Iraq	6,240	2,250	2,261	597	168	604	7,060	13.1
Jordan	585	243	205	67	18	52	790	35.0
Kuwait	1,480	533	622	98	25	202	1,340	−9.5
Oman	565	182	260	61	17	45	610	8.0
Qatar	480	144	220	59	14	43	440	−8.3
Saudi Arabia	22,500	7,800	10,100	1,388	512	2,700	24,000	6.7
Sudan	485	218	150	66	15	36	526	8.5
Syria	1,590	541	762	143	40	104	1,450	−8.8
Total Middle East	38,385	13,777	16,633	2,865	952	4,058	40,596	5.8

(1) including mechanical, electrical and chemical installations, i.e. total turnover of the respective construction industry in it's widest sense
(2) basically design and profits, but excluding land cost
(3) including Northern Emirates
Source: Plantecon (Overseas) Research Ltd., 1980 computations.

No real secrets left on how to succeed

THERE ARE no longer any real secrets to success in the Arab construction market. In recent years the trends bave been explored and analysed extensively. If there is an element of surprise it is on the one band that some companies still have not learned how to cope with this market, and on the other that companies and countries have failed to keep up with changes.

The performances of American and South Korean companies are interesting cases in question. The former are, in theory at least, heavily established and with the political—if sometimes controversial—clout of acceptability hacked with a high level of technological know-bow. The latter are newcomers to the area, from a developing country, ostensibly also from the "capitalist" world, which dominates the Arab construction market as a whole, but in a particularly disciplined way.

The physical conditions nf living in a generally difficult environment and conforming to sometimes demanding local traditions have been described often enough although there are some changes.

Housing costs, for example, nn the Arabian Peninsula bave long been high, although the rate at which they are increasing has slowed considerably, and in some cases even fallen. Cairo's inefficient telepbone system and legendary traffic jams bave indeed altered for the better in the past two years.

In doing business there are those countries, such as Iraq, Syria and Lihya, where contracts are won only by working through the centralised bureaucracy and administration. Elsewhere, private enterprise tends to dominate. But in both cases the path to success is found essentially only through contacts, and in the Arab world these have to be developed and nurtured over a fairly protracted period.

Languages

It must be grasped, too, that local regulations vary, although as a general trend it can be accepted that governments, on the whole, desire increasing local involvement in contracts. Companies, in particular from the Anglo-Saxon world, bave heen peculiarly slow to grasp the importance of languages—Arabic, obviously, if only as a token gesture hut also French if the Maghreb market of Morocco, Algeria and Tunisia is to be hroached. But broadly the fact remains that contractors should by now know the secrets of success in the Middle East.

It is something of a surprise to learn—from studies conducted by International Construction Week, the U.S. Army Corps of Engineering and the U.S. Agency for International Development puhlisbed in New Engineering Record—that U.S. companies ranked twelfth in competition for the construction market. Over the 13 montbs up to the end of June, 1979, they had won contracts worth $0.35bn, compared with the leaders, South Korea, with contracts worth $4.6bn out, of a total of $19.73bn. (The other countries considered were Italy, West Germany, Japan, France, Brazil, Yugoslavia, Britain, India, Taiwan, and the Soviet Union.)

Slipped

The U.S. share of the market had thus slipped from 10.3 per cent, wben it won contracts worth $8.9bn out of $86.3bn between June, 1975, and April, 1978, to a mere 1.8 per cent; while comparing the same two periods, South Korea's sbare rose from 5.3 per cent to 23.3 per cent.

Part of this must he attributed to the collapse of the Iranian market, but at the same time the study concentrates beavily on the Saudi market. It is an irony that South Korea *should be doing so well because* it was its contractors wbo were trained by the U.S. Army Corps of Engineers in the 1950s. With literally military efficiency—service abroad as manpower is an alternative to conscription—Korean companies are not only dominating the labour-intensive market hnt also moving upwards into more sophisticated areas sucb as power supply systems, and oil industry installations.

American companies bave slipped behind fnr a number of reasons.

First, nppnrtunities have been reduced because plant bas to be imported from long distances and because companies frequently find contract terms too onerous.

Second, for political reasons, countries like Libya, Iraq and Syria are sometimes besitant to take on American contractors.

Third, the gap between the level of technology which U.S. companies could provide and that of other countries has closed considerably.

Fourth, there seems to bave been an arrogant assumption that political pnwer and economic influence went band in hand and that contracts naturally followed.

Fifth, U.S. companies have suffered from the fact that compared with Canada, France, West Germany, Italy, Japan, Britain and South Korea, Government assistance is considerably less.

Thus, of these countries, the U.S. is the only one whose citizens have their personal income taxed abroad. Except for Japan and Canada, U.S. companies are alone in not having VAT rebates on exported materials, equipment and services. The U.S. and Japan are, the only countries, in theory at least, tn enforce an anti-boycott act. Again only Japan and the U.S. try to enforce a corrupt practices act. The U.S. is alone in requiring a statement on the environmental impact of some projects.

Above all, apart from South Korea, it is the only country whose Government does not provide bid and performance bonds guarantees and financial backing to match that of other countries.

The same study suggests that, even allowing for this financial disadvantage, U.S. companies have heen less successful than they should have been in developing salesmanship, market analysis and a knowledge of how to conduct business. Indeed, it must be gratifying to some sectors of British business to hear such accusations being levelled elsewhere.

Thus between June 1975 and June 1979, of contracts worth $108.1hn, the U.S. won 8.6 per cent, exactly the same proportion as South Korea. But as has been seen, the South Korean share of the market increased dramatically during the 13 months up to June 1979. During the first period, U.S. companies won 53 contracts, while South Korea won 51, whereas in the latter period the former could manage only seven and the latter 34.

During those 13 months, the Korean contract valnes of $4.7bn was marginally ahead of its value during the previous three years. Over the total period, the main beneficiaries were West Germany with 16.9 per cent of the market, Japan with 15.9 per cent and Italy with 9.5 per cent—ahead of the U.S. and South Korea.

In this most recent period covered by the study, South Korea won more contracts than any other country. In part, its success can be attributed to its fulfilling a sbort term political need: that of providing employment and contracts for companies of the developing world. Saudi Arabia, in particular, is sensitive to the feeling that western companies have been ganging up against it wben bidding for tenders.

The South Koreans bave an added advantage in that they have perhaps the only companies in the developing world to bave genuinely graduated from the second to the first league of contractors. (This would appear to have some drawbacks. Hyundai has now been barred from bidding for the causeway between Saudi Arabia and Bahrein, and has also been removed from tha list of sub-contractors of the U.S. Army Corps of Engineers because nf allegations of bribery.)

Although South Korea may be comparatively inexperienced in management techniques and technical knowledge, its Government has been careful to coordinate competition by area and specialisation. Furthermore, the South Koreans, unlike the U.S., have a clean slate as far as political links with the Middle East are concerned.

In addition they operate from the basis of a social structure—not unlike Japan—monolithically tied to specific companies, giving them a solidarity not found easily elsewhere.

A crucial issue is labour. Although the percentage of military conscripts has declined, the labour force tends to be much better disciplined than others. For the countries of the Arabian Peninsula, where immigrants form a significant part of the population, tha fact that South Koreans tend to keep themselves apart and return to their native land aftar the completion of the contract is an additional advantage.

South Korean companies have been remarkably successful in underbidding competitors, with some *help from the* Government in covering foreign exchange losses.

Links

They have concentrated their interests first on Saudi Arabia, where its strong links with the U.S. for defence contracts in Vietnam could well have proved an additional advantage, and Kuwait. Further to their advantage is that the technical performance of Korean companies has been rising—for example in Saudi Arabia their contracts include the commercial port of Ras el Ghar, the expansion of a naval base and the NGL terminal at Yanbu. Finally, South Korea is having increasing success in selling construction equipment made under licence at home by Halla (i.e. Hyundai International).

On the labour front, Korea is extremely methodical. Training camps have been set up in Inchon, according to the monthly Middle East Construction, which *hope* to *turn* out 3,000 workers a year, and pay levels are such that they look likely tn remain competitive for some time. Their discipline is rated as being sterner than Indian and Pakistani labour, even—if it is, rather more expensive.

Other countries involved in the Arab construction market tend to fall in between these twn extremes of the western approach to the Middle East construction market (the American study gives Eastern Europe only 5.4 per cent of the market—some $5.8bn between 1975 and 1979)—capitalism at virtually its most laissez faire and at its most organised. For the moment, the latter seems to be gaining ground, but all parties are aware that the market is contracting and that competition will be harder in future.

Anthony McDermott

ARAB CONSTRUCTION III

Development projects tied to exports

THE LIFE blood of Arabian development is in capital and energy-intensive projects: oil refining, liquefied natural gas, natural gas liquids, petrochemicals, fertilisers, aluminium and steel. Most projects are export-oriented, with the partial exception of steel mills. All have the advantage of making productive use of the region's abundant resources of associated gas (produced with oil) while yielding a large revenue for the size of the population employed. They are geared to overcome the low absorption feature of the domestic market, while keeping down reliance on foreign labour.

The commitment of hitherto-spendthrift government planners to follow more cost-conscious and profit-oriented policies when designing heavy industrial projects, echoed most forcefully by Saudi Arabia's Basic Industries Corporation's (Sabic) chief executive, Abdel Aziz al-Zamil, has led to a thinning out of candidates and concern to avoid the senseless duplication of projects within the region.

Specialised

The regional picture which is now emerging is one of specialisation. The Arabian States are concentrating on bringing off the ground different hydrocarbon ventures to avoid the pitfalls that beset complementary industries. Saudi Arabia and Qatar are heavily committed in petrochemicals. Kuwait and Abu Dhabi are big in natural gas liquids (NGL).

The economics of industrialisation have never looked better than in the last 12 months. Ironically, the upturn in the fortunes of heavy industry has been aided, but not created, by Iran. The increase in the prices for crude oil and oil products, such as naphtha (the normal feedstock for the European chemical industry), exacerbated by the Iranian cutbacks in production, has removed some of the question marks from the viability of petrochemical projects in Arabia. It has changed dramatically the [illegible] look for [illegible] liquid [illegible] for oil refined products from the producers.

The comparative advantage in the production of petrochemicals—at least for ethylene and its primary derivatives—which the Gulf States now enjoy, as compared with established European industry, turns on three things: (1) the low cost of their feedstock, ethane, for which there is no alternative opportunity cost; (2) abundant availability of supplies and (3) on the cheap industrial loans to be had. However, the prospects for marketing are less happy. The signs are that it will prove difficult to run the plants at optimum capacity and to find takers for the products.

To overcome these problems and the extra political risk which, after Iran, must prey on the minds of foreign companies, producers like Saudi Arabia and Qatar, who encourage the joint-venture approach, are linking crude oil entitlements in exchange for foreign investors' participation. The Qatar ethylene complex will be the first to come on stream in the Gulf in 1981. The French strategy of taking the plunge before securing oil-entitlements may pay dividends. But the stakes are high. By 1990, exports of petrochemicals to the OECD will hit a market already plagued by surpluses—3 per cent will be Arab. This has prompted states like Kuwait and the United Arab Emirates to take a more measured approach to their petrochemical projects. The producers most committed to these ventures are now considering Asian countries as an alternative market.

The prospects for the sale of large quantities of NGL have improved considerably. European chemical producers, short on naphtha, have turned to NGL. Kuwait, the first exporter to bring on stream one of the new generation of NGL plants, has raised its prices. Abu Dhabi has agreed to sell nearly half of the projected output of LPG (1.3m tons) from Ruwais, starting in 1981, to a captive Japanese market. The medium-term prospects bode ill for the producers. By 1985 when the plants in Saudi Arabia, Qatar and Abu Dhabi become operational, there could be [illegible]

HEAVY EXPORT ORIENTATED INDUSTRIAL PROJECTS IN ARABIA

WITH PRESENT OR PROSPECTIVE FOREIGN PARTNERS AND SHARES WHERE APPLICABLE

A=Starting Production or Already on Stream
B=Under Construction/Subject to Firm Contract
C=Design Engineering/Advanced Negotiations
D=Early Studies

	Estimate Population	Oil reserves: billion barrels	Oil revenues $billion	Petrochemicals	Fertilisers	NGL	LNG	Export Refineries	Aluminium	Steel
SAUDI‖ ARABIA	7m	165.7	36.7 (1978)	1-B Mitsubishi + C. Itoh + other 50%/Saudi Arabia Basic Industries Co. (SABIC) 50% 1-C Mitsubishi + other 50%/ SABIC 50% 1-C U.S. Shell/SABIC 1-C Mobil/SABIC 1-C Dow Chemical Co./SABIC 1-C Exxon/SABIC 1-D Celanese + Texas Eastern/ SABIC (All projects at Jubail except Mobil at Yanbu)	1-A Saudia Arabia Fertilizer Co./ (Safco) 1-B †Occidental (Manager) 1-C Taiwan Fertiliser Co./ SABIC (TFC 60% output offtake)	1-A ARAMCO (owners) (Ras Tanura) 1-B (Jubail) 1-C (Yanbu)		1-A ARAMCO (owners) (Ras Tanura) 1-C Royal Dutch Shell/Petromin (Jubail) 1-C Caltex/Petromin (Jubail) 1-C Mobil/Petromin (Yanbu) All deals 50-50 share	1-D Southwire/ SABIC (Jubail)	1-B *Korf Stahl 20% SABIC 80% (Jubail)
KUWAIT¶	1.2m	66.2	9.5 (1978)	2-D Petrochemical Industries Co.	1-A KCFC/PIC Kuwait Chemical Fertiliser Co. now part of Petrochemical Industries Co.	2-A		1-A Kuwait Oil Co. (Mina al Ahmadi) 1-A Kuwait National Petroleum Co. (Shuaiba) 1-D †		
BAHRAIN	0.28m	0.25	0.45 (1978)	1-D Bahrain/Kuwait joint venture				1-A Caltex (owners) (Sitra)	Kaiser & Breton, + SABIC 20%/ 1-A Aluminium Bahrain (ALBA)	
QATAR	0.2m	4	2.2 (1978)	1-B C & F Chimie 16%/ 1-D Qatar General Petroleum 84% (Umm Said)	1-A Qatar Fertiliser/ 1-B Norsk Hydro (Umm Said)	2-B ‡	§			1-A Kobe Steel/ Qata Govt. 1-D †(Gasco) (Umm Said)
ABU** DHABI	0.88m	30	8.7 (1978)	§	1-D Abu Dhabi National Oil Co. (ADNOC) 100% (Ruwais)	1-B Shell 15% + Total 15% + Partex 2%/ ADNOC 68%/ (Ruwais)	1-A British Petroleum 16% + Total 8% + Mitsui 22% + Bridgestone 2%/ ADNOC 51% (Ruwais)	1-B Snamprogetti-ENI (Supervisor)/ ADNOC (Ruwais)		
DUBAI**		1.3				1-A Sunningdale 20%/ Dubai Natural Gas Co. (Dugas) 80% (Jebel Ali)			1-A Alcan-Southwire 7.5% + Nissho Iwai 7.5%/ local 5% + Dubai Aluminium (Dubai) 80% (Jebel Ali)	

* The Saudi steel mill is domestically orientated and exports from Qatar will be to other Gulf countries.
† Expansion projects. ‡ One plant being rebuilt after explosion in 1977.
§ There are very long-term plans for petrochemicals in Abu Dhabi and LNG in Qatar.
¶ It is Kuwaiti policy not to have Western partners.
‖ Saudi Arabia requires at least 20 per cent share from foreign partners; some deals include output off-take commitments by foreign companies.
**Abu Dhabi is the main UAE producer of LNG and NGL (Das Island) and production of NGL at Ruwais is priority development. In Dubai NGL output will be used by the aluminium smelter as well as exported.

world overcapacity. However, an oil-short world, assuming this trend does continue, has little option but to accept oil-refined exportables from the Arabian producers.

The performance of established plants in Arabia show encouraging signs. Projects which were previously fraught with problems, such as the Qatar fertilizer (Qafco) and the Saudi fertilizer (Safco) plants, are now both making money. This year, Safco seems [illegible] beat the previous [illegible] of $33.5m. [illegible]

teething problems can be overcome in the harsh environment of the Middle East. The decline in inflation rates and the decongestion of infrastructural bottlenecks have brought estimates of extra-capital and operating costs down by half. The experience acquired in operating these plants — the learning curve — suggests that the new generation of plants will be platinum plated.

The chances of success for new plants will be improved once the rulers in the peninsula [illegible] succeed [illegible]

quick returns to be had in trade, land, food processing and building materials (the latter a market saturated except in Saudi Arabia) and towards investing in more sophisticated industrial components which would, in time, provide support to the domestic and export-oriented gas and oil sectors.

The will to create a responsible industrial nation is given credence by the Saudi Industrial Development Fund's discriminatory attitude to lend to "viable" private [illegible] projects — [illegible]

Attiqi, Kuwait's Finance Minister speaks strongly against always having to bale out private sector lame ducks. In the UAE, the situation is reversed. The urge to invest in productive ventures has come from the industrialists while the Rulers have dragged their feet in giving the necessary guarantees.

The formula for success in the light industrial sector has hitherto been in simple and bulky products. Contracts have been won where the operations saved on freight costs and made use of low-key technology. The new generation of successful private companies will be those that respond to the planner's challenge. It will be those companies which look to the regional market to reap economies of scale. Notable successes are Kirby in Kuwait and National Plastic in Sharjah. A top quality product and superb marketing techniques will be needed to break down the traditional local consumer resistance to domestically produced goods.

The gross potential in the maintenance repair sector — forecast by Plantecon (Research) Overseas —favours [illegible]

In future, it seems likely that, to minimise the social strains that accompany industrialisation, Arabian governments will follow a policy of more balanced growth. The more mature economies such as Kuwait and Bahrain will continue to diversify in revenue-supplement services such as banking, which suit their nationals and economise on foreign labour. All States are likely to moderate their future expenditure.

...tonia Alafouza

Many British companies hit by spending cuts

THE MIDDLE EAST construction market no longer offers UK contractors what for a few brief years appeared to be a guaranteed succession of contracts to stretch the imagination and skills of civil engineers and design teams—and to provide, for some at least, a valuable source of profits.

Few contracting operations or architects would subscribe to the view that it was at any stage a simple task to notch up a multi-million construction job in the Arab world, though most would now accept that if it was tough in the past it is even tougher today.

Quite simply, the first hectic rush to invest in buildings, plant and basic infrastructure on the part of the oil-rich nations of the region is over. In several countries construction expenditure has peaked because of the need to curb wildly escalating national budgets or simply because the smaller States have inevitably reached the point where their size and population cannot justify further heavy investment.

But the decline in new building and civil engineering work, which is in any case far less pronounced in some of those nations that were initially slower off the mark, does not imply the end of the Middle East as a major construction market. Its role in this respect is immense and will continue to be so.

Many of the major infrastructure projects are complete and the opportunities for UK contractors—or for that matter any of their competitors—to continue to pick up contracts of the size experienced in the past few years are rapidly diminishing. But if much of the major civil engineering work is in decline, a huge volume of "second generation" construction involving industry and social amenities remains. Increasing experience on the part of domestic contractors is, however, reducing the opportunity for overseas competitors to pick up this type of work.

Valuable source

There seems little doubt that the Middle East will continue to provide the UK construction industries with a valuable source of work, though there are clear indications that the best is over and that some shift within local Arab markets will be essential if contractors are to pick up business.

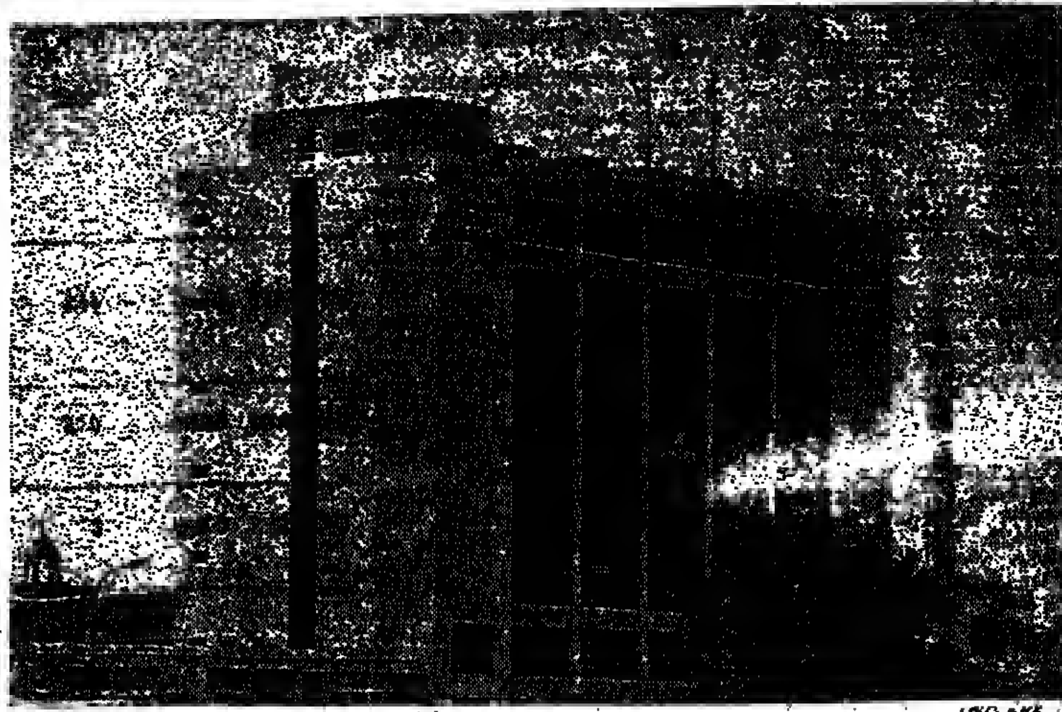
Figures produced towards the end of 1979 by the Department of Trade and Industry, but covering only the year to April last, showed that while the total value of all work carried out by British contractors overseas rose to a record level, the value of new contracts actually won during the same period fell after a seven-year period of uninterrupted growth.

The figures showed that, for the second year running, the value of Middle East work obtained fell back, although it still accounted for half of all new contracts. At the same time the value of work done in the Middle East rose to its highest-ever level, reflecting earlier successes in the contracts race.

There is every chance that figures for the current 12 months will again show a decline in new work, while statistics on work in progress during the period will also reflect the ending over the last 12 months of some major projects. Many UK contractors stand to fare badly in the wake of the decline in new work, for the biggest reduction in construction activity has come in some of the markets which have traditionally been their best sources of business.

Output in the lower Gulf has been subjected to particularly sharp reductions in expenditure effecting both public and private sectors, exposing those groups which have predominantly relied on the area to provide most, if not all, of their Gulf business. The United Arab Emirates, Bahrain, Qatar and Oman have been worst hit and operators in those markets face mounting problems in maintaining reasonable volumes of business.

The natural reaction of many has been to start the search for replacement work much further afield, notably in Africa, South America or the Far East, but work is still to be won in other Middle East markets which have not in the past attracted much attention on the part of UK contractors.



The new Qatar headquarters of the British Bank of the Middle East has recently been completed by Bernard Sunley and Sons. The seven-storey building has been constructed with a steel frame clad in concrete. It has external marble wall facings and aluminium sunbreakers. Construction cost £3.6m

Markets like Saudi Arabia, Iraq and Kuwait remain strong and offer substantial contracting opportunities, though the previous reluctance of UK groups to tackle tougher regions while easier alternatives existed has left them with only marginal market penetration.

Saudi remains the largest Middle East construction market, accounting for nearly half the region's total construction expenditure, and UK contractors may now be tempted to step up their efforts to obtain a share of the work available. Needless to say, competition remains intense and payment problems can and do still arise.

Strict eye kept

The banning of one major South Korean contractor from the Kingdom and a determination on the part of the authorities to keep a strict eye on contracting procedures and standards could well help those UK contractors with good reputations which may decide to take Saudi more seriously in future. Already this year Taylor Woodrow, one of the companies used to being heavily committed in the lower Gulf, has announced the winning of a £6m contract in Saudi.

But traditional civil engineering contractors will find the opportunities declining as high technology projects account for a growing slice of development activity. In addition, big civil contracts within Saudi are now regularly being broken up into smaller parts in order to enable local contractors to undertake the work.

Elsewhere in the region there are countries without the huge oil revenues held by some of their neighbours but which have nevertheless started extensive development programmes at a later stage. These include Sudan, The Yemen Arab Republic (North Yemen), and The People's Democratic Republic of Yemen (south Yemen), and Egypt. It is perhaps in Egypt that UK contractors will find the greatest source of future business, though its role as a source of new work will be governed by limited resources and by the availability of international financial support.

The total value of major projects in Egypt, either under-way or provisionally costed, is estimated at over £11bn.

Opportunities for component suppliers, plant manufacturers, contractors and design teams should be good and British companies stand to do well. Already names like Higgs and Hill, Tarmac, Laing, Cementation Bovis and Crown House have won work in the country and hopes are high for more business.

But if contractors are being forced to re-examine strategy and traditional markets in the Arab world, there seems no doubt that the region will—despite a declining flow of work—continue to represent the largest source of business for Britain's international contracting industry.

Michael Cassell

Big response for exhibition

JUST OUTSIDE Jeddah in Saudi Arabia, the largest construction exhibition ever held in the Middle East opened on Sunday. It is housed in the new Jeddah International Expo Centre, a square-cornered U-shaped tent looking like a giant squat sausage. The exhibition has received an outstanding response with over 600 companies from 23 countries represented.

These are predominantly from Europe and the U.S., but Saudi Arabia is making a strong showing in a special pavilion at the back of the forecourt between the arms of the tenting reserved for open-air exhibitors. Only some 600 square metres of the 45,000 square metres available have not been taken —in the open area.

Organised by Fairs and Exhibitions of Britain in conjunction with Al-Harithy Company of Jeddah, this exhibition is the third of its kind, but the first to be held in Saudi Arabia. Back in November there had been some apprehension that the seizure of the Great Mosque in Mecca by opponents of the Government might cause the Saudi authorities to have second thoughts about the holding of the exhibition. Instead, it clearly has been decided to make it an indication that business continues as normal.

The only measures taken which might have had an effect on the exhibition was to step up container inspection at the port to 100 per cent. As a result there is 10 days' congestion at Jeddah, but this it is claimed has not held up deliveries to the Expo Centre.

The timing of the exhibition and the response to it raise a number of interesting points. First, the size of the Saudi construction market over the next few years is likely to become smaller. According to calculations made by Plantecon (Overseas) Research, the Saudi market, worth $22.5bn in 1978, will peak this year at $24.1bn and gradually decline over the next five years—by 37.3 per cent to $15.1bn.

The magazine Middle East Construction (MEC), which has been involved in promoting the exhibition, does not broadly dissent from this view. A market analysis on the Saudi market, commissioned by MEC and published this month, concludes that although Saudi Arabia is the most important construction market in the Middle East, "construction output (there) has already reached a peak. It may remain at this high level for a couple of years, but thereafter a decline is anticipated—although this is unlikely to be as brutal as the experience of the United Arab Emirates."

Second, this decline in the size of an already highly competitive market will only make it more so.

Uncertainty

Third, the U.S. is very strongly represented at a time of some political uncertainty in the Middle East region as a whole and when the U.S. construction industry has slipped behind its competitors in Saudi Arabia, taking only 8.5 per cent of the market in the last four years.

The objectives of the exhibition are, as the organiser indicate, virtually self-explanatory. They say: "It will offer exhibitors an opportunity to demonstrate the latest developments of the world's construction market." In other words it is surely an exhibition and not an opportunity for direct sales. Any deals announced would be purely coincidental. The exhibition, which ends on Saturday, will also "give thousands of Saudi, Arab and international visitors . . . an opportunity to assess the products and services on display." The emphasis in the displays is heavily—perhaps as much as 80 per cent—on building materials and furnishings. But there is also some heavy plant exhibited. The proportions indicate the changing shape of the Saudi market.

Half of the 3,000 sq metre special Saudi Arabian Pavilion has been allocated to Saudi Ministries and organisations so that the Kingdom can not only indicate what has been achieved in the construction sector, but also provide some guidance as to what may happen in the future, particularly with a new development plan due to start this year.

In addition, the exhibition provides the usual but vital opportunities for contacts—particularly for newcomers to the market searching for partners and agents.

The new Jeddah International Expo Centre, which had to be re-sited to the Eastern Perimeter Road at one stage because it was originally planned too close to a residence of Crown Prince Fahd, covers 45,000 sq metres, of which 15,000 sq metres is available for exhibitors' displays. Of this, 7,000 sq metres is under cover and the rest outside. It has cost something like $5m to mount, of which the organisers should recoup about two-thirds through attendance fees alone.

Participation by governments has been extensive. The British Overseas Trade Board has organised the largest British joint venture participation yet mounted for an exhibition in the Middle East, taking 2,500 sq metres of covered exhibiting area, and 2,200 sq metres outside.

The U.S. Department of Commerce, supporting an exhibition for the first time, has taken over 1,000 sq metres to aid the 144 U.S. exhibitors. In addition, West German, French and Swedish government-backed joint ventures account for a further 3,000 sq metres. There has also been government backing for joint ventures by Denmark, Holland, Switzerland, Belgium and South Korea.

The composition of the exhibitors indicate that this is a heavily Western-oriented exercise, even though the organisers did negotiate to bring in representation from Asia, and the Middle and Far East. Britain has the highest representation in single and joint displays with more than 220 exhibitors, followed by the U.S. with 144, and West Germany, France and Sweden with about 30 each.

Saudi Arabia has over 50 displays, and of the rest of the Arab world, only Bahrein, Kuwait, Lebanon and the United Arab Emirates are represented by about ten displays between them.

In view of the challenge of Far Eastern contractors, notably South Korea, and to a lesser extent Taiwan, the Philippines, India and Pakistan, it is notable that only Korea, Pakistan and Taiwan are represented, and Korea solely by the official Korea Trade Promotions Corporation.

The same companies which organised this year's fair plan to hold another in Jeddah next January.

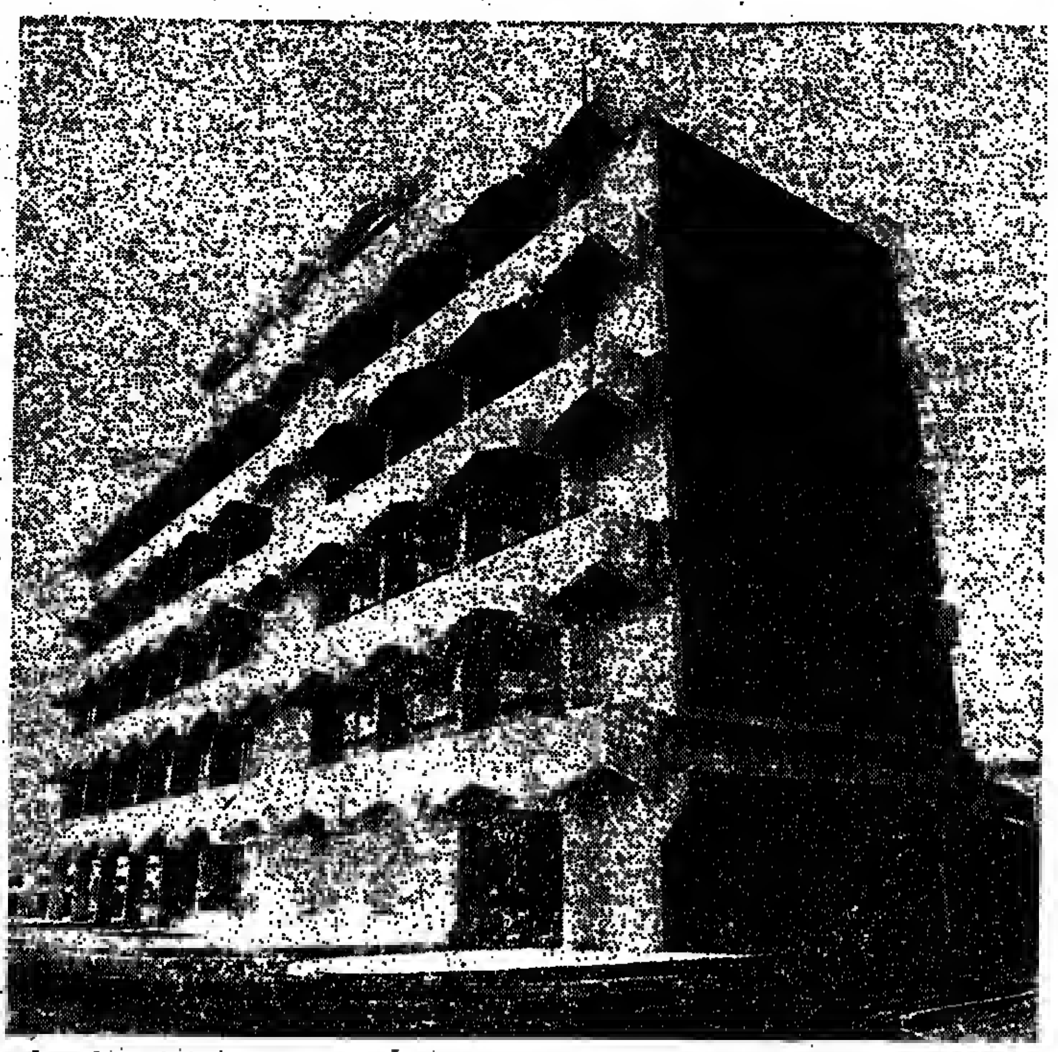
A. McD

Local industries protected by import restrictions

THE MIDDLE EAST is still a large market for building materials, though the high level of activity which began in 1970 and reached a peak in 1976 is no longer in evidence.

Many Middle East countries which had practically no infrastructure in the early seventies have completed their biggest projects. Demand now is for more sophisticated prodncts shown to be suitable for the environment, and delivery and price are all-important. Competion is fierce, and salesmen visiting the Arab world need to be conversant with technical performance and have the authority to negotiate and make decisions on the spot.

Many developing countries are entering a phase of industrial expansion, with consequent focus on export prospects. Oil-producing countries are anxious to exploit hydrocarhon sources to ohtain the greatest value from the oil produced or to use the gas to fuel basic industries such as steel and aluminium. Similarly, most countries are attempting to become independent producers of building materials to supply their own needs and to export to other countries. This is causing a growing number of countries to restrict the import of materials which compete with local manufscture or assembly and in some cases preference must be given to locally produced materials.



Soundproofed radio studios at Doha, built for the Qatar Ministry of Information by Bernard Sunley and Sons for £4.7m. The building is clad in white; glass reinforced concrete panels supplied from the UK, but cement and aggregates were bought locally

Local industries are generally protected by high tariffs. Even so, key items will still have to be imported. The need for foreign exporters to estahlish joint ventures with local concerns to manufacture or assemble locally is becoming more and more important and can often attract complementary components.

Marked effect

The unrest in Iran and surrounding countries has had a marked effect on business—Iran was one of the largest individual markets in 1977—and there is ohviously still some uncertainty about the future, but the construction exhibition in Jeddah, Saudi Arabia, this month has attracted the largest response ever, with over 200 British companies participating. This event follows two highly successful construction exhibitions in 1978 in Duhai and Bahrain, and already there is a great amount of interest in "ArabBuild" to be held in Bahrain towards the end of this year.

KUWAIT—Increased development is likely to continue, with a bndget of £770m, most of which is likely to be in the private sector. Most building materials are imported although there is some local production of asbestos cement, steel and concrete pipes, bricks, paints, cement hlocks and hricks, cast iron pipes and manhole covers, asbestos cladding and aluminium windows.

Some locally produced products are exported, and Kuwaiti businessmen are keen on joint ventures with foreign companies. Competition is very fierce but the importance of quality is to some extent heing recognised. About 15 per cent of Knwait's imports are re-exported, some to developing countries. Research is being carried out hy the building research gronp of the Kuwait Institute of Scientific Research. Some work has heen done on insulation in relation to electrical consumption used for air-conditioning, and interest in insulation materials is growing.

BAHRAIN—Oil reserves are limited. The infrastructure has been completed but low-cost housing is still required. Construction declined in 1976-77 but has stabilised at about £150m, more than half in the private sector. The only major project is the £500m causeway linking Bahrain and Saudi Arabia. Small manufacturing units produce window frames, doors, plastic pipes, tiles, bricks and hlocks, precast concrete units, etc. Though it is traditionally a market for British goods, competition from other countries is increasing.

QATAR—The country has a diversified economy, as well as its oil production. Manufactures include steel reinforcing rod and cement. Light industries in which foreign participation is welcomed inclnde paint, adhesives, PVC tiles, pipes and melamine products. There are plans for a huilding materials plant and foundry to produce manhole covers and pipe fittings. The infrastructure is perhaps less advanced than in some other Middle East countries because of lack of manpower. Expenditure on construction is well over £200m and is expected to increase on housing, public building and hotel and a conference centre. UK consultants are active. Most imported building materials attract 2½ per cent import duty but 20 per cent is imposed on steel reinforced products in order to protect the local industry.

UAE (Dubai and Abu Dhabi are the major emirates). Estimated value of construction work is about £600m—with the major infrastructure completed. In Dubai there are projects in the public and private sectors, including factories prodncing cement, steel fabrication, aluminium extrusion, plastic pipes, GRP, bricks, etc. There are no special tariff harriers. Abn Dhabi is concentrating development into oil-intensive industries through the Abu Dhabi National Oil Company. A new city is being built at Ruwais.

SAUDI ARABIA—The world's largest exporter of oil is spending a large amount of money on development. Expenditure on construction in 1978 was estimated to be between £6bn and £10bn. Imports on building materials rose by nearly 80 per cent in 1977, but by barely 20 per cent in 1978.

American consultants predominate. As a result America is Saudi Arabia's biggest trading partner. French, German, Japanese and Korean contractors handle most of the larger projects. Large industrial complexes at Damman and Yanbu are expected to cost £35bn, about half in infrastructure and construction. The Saudi industrial development fund encourages joint ventures between Saudi companies and foreign know-how; about 800 projects are in operation or heing considered. The majority are the less sophisticated construction materials—aluminium window frames, asbestos cement pipes, plastic pipes, hricks and ceramic products.

The demand for many building materials is likely to continue for some time but ultimately future imports will tend to be those requiring a high capital for a relatively small market. It is likely that capital-intensive products will continne to be imported, as will products of a high technology nature.

OMAN—Building materials are mostly imported, with Britain the main supplier. Not much industrial development has yet taken place, but ashestos cement and plastic pipes, aluminium fahrications, tiles, joinery and paint are manufactured. It is possihle that legislation will be introduced as protection against competitive imports.

YEMEN ARAB REPUBLIC—Development is hampered by lack of skilled manpower and services, but infrastructure development has increased in the last year or so. Expenditure on a wide range of projects is envisaged in the areas of transport, health and education. There is very little manufacture, but cement, paint, clay, tiles, hricks, aluminium doors and windows are produced. Protective tariffs will only he raised when the production of a prodnct is sufficient to satisfy the market demand.

PEOPLE'S DEMOCRATIC REPUBLIC OF YEMEN—This is a country with as yet practically no development, though a start is being made on low-cost housing. All business is directly controlled hy the State through public corporations and national companies. Information on materials is of interest to the Building Construction Division of the National Company for Foreign Trade.

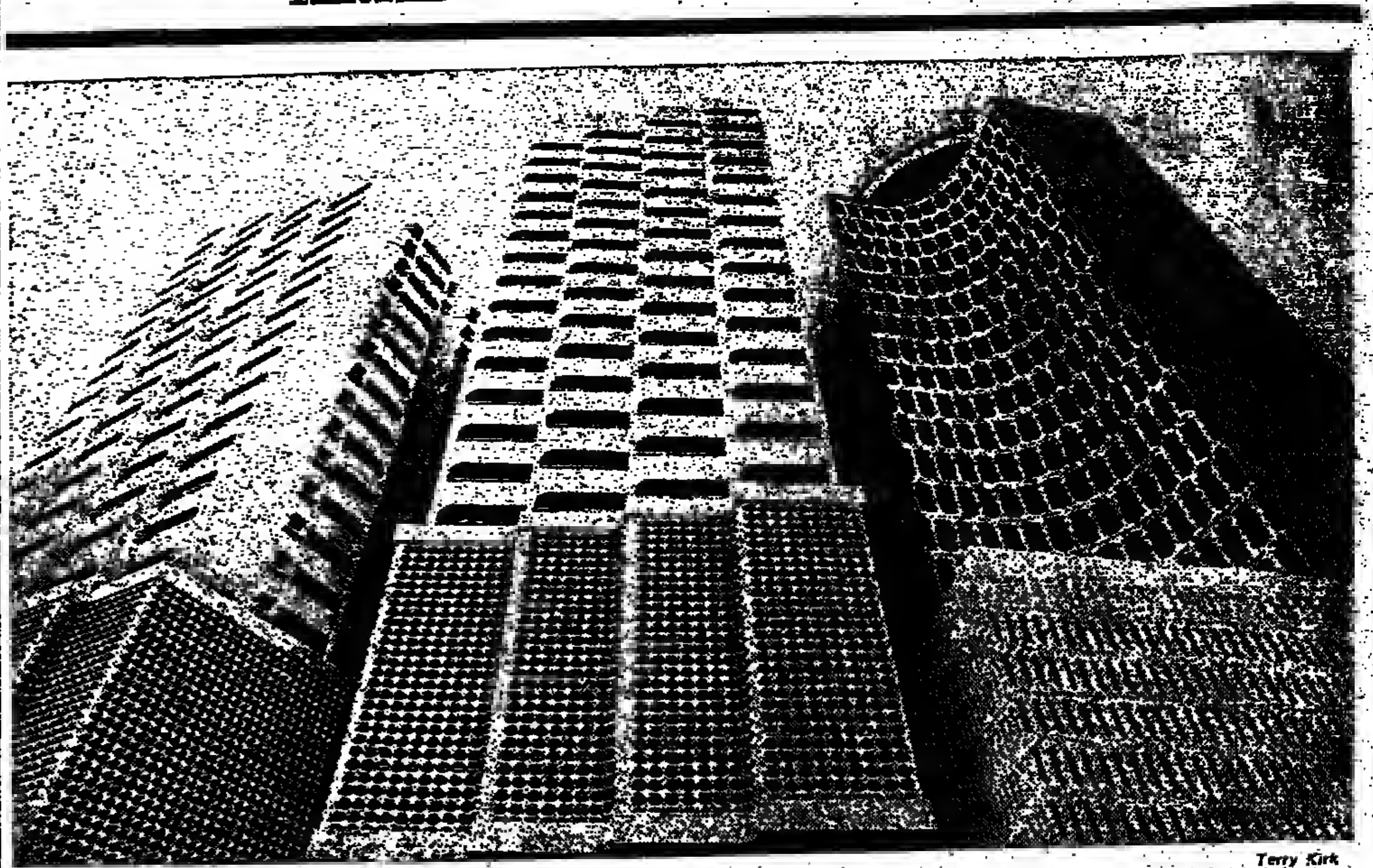
JORDAN. A five-year development plan comes to an end this year. Larger projects are generally handled by Koreans, Japanese and Taiwanese groups, though local contractors produce domestic housing; 20,000 homes a year will be required for the next 10 years or so. Local prodnction of building materials is expanding, including hricks, paint, tiles, ceramic sanitary-ware, galvanised pipes, plastic conduits, aluminium windows and doors, boilers, radiators, asbestos cement pipes and reinforcing hars. There is tariff protection for some prodncts.

SYRIA—There is potential for expansion with a budget in 1979 of £740m for infrastructure, industrial and commercial investment. Most essential construction materials are produced in Syria hy State industries and imports are banned except in special circumstances when local supplies are insufficient.

IRAQ—Around £20bn is expected to be invested in infrastructure, agriculture and industry. Government organisations purchase virtually all imports, and heavy industries are operated by State companies. Banking and insurance are also controlled by the public sector. Construction development plans are extensive, including 3.3m housing units between 1981 and the year 2000. Roads, railways and hydro-electric projects are also planned. Thare are plans to produce and export steel, and concrete and asbestos cement pipes, blocks and hricks are already being produced. The demand for building materials is enormous, hut the market is difficult to penetrate.

Jenny Tomlinson

Miss Tomlinson is the Director of the Building Materials Export Group.



Terry Kirk

Three new tower blocks in Al Nasr Square in the centre of Deira, Dubai. The two 22-storey bloc... the left were built for residential and commercial use by Al Naboodah Medcon Laing for H. E. Sh... ...ansoor bin Ahmed Al-Thani, and on the right is the Deira Tower by Al Rashid Construction in ... ...ion with M. H. Bezzola and Riefler & Guggisberg (both from Switzerland)

Quality gains importance as tenants call the tune

AT THE height of the Gulf construction boom, buildings were designed without much thought about maintenance. Indeed, if a property developer stood to get his money back in five years or less, there was little incentive for him to spend money on better quality materials or protectiva coatings for the sake of long-term savings in replacements and repairs.

The use of dense hardwoods, for example, instead of cheaper softwoods in joinery could add $3,000 to the cost of a $150,000 house. Why bother then, when tenants at that time were forced to pay high rents for any habitable accommodation? They were in no position to complain about gaps in the woodwork.

Now rents have tumbled, giving a slower return on investment, and there is pressure on the landlord to provide better service. If he does not, the tenant can move out. Every estate agent has empty houses, flats and office space on his books. The financial importance of having a building with a long life has become critical, and the impatient profit-seekers have been made uncomfortably aware that while their own five-year-old properties are falling down, landlords who thought about maintenance from the outset have much older buildings in good condition.

For hotels, too, the climate has changed radically. In most Middle East cities the customers now have a choice, and while the absence of a top-line band or cabaret show may not necessarily driva them away, defective plumbing and air-conditioning certainly will.

Structural deterioration in modern, reinforced concrete buildings has manifested itself as soon as 10 months after completion, as in a block of Government flats in Bahrain. Lack of real knowledge among consultants of the harsh climate of the region has been blamed for the breakdown of building fabrics, besides rontaminated materials and inadequate supervision on site.

The high incidence of ultra-violet light, often four times that of the temperate climates of Europe and the U.S., has led to the failure of paints and plastics used in the waterproofing of roofs. Additionally, unskilled labour has been employed to apply expensive materials whose performance has never been studied in the climate of the Arabian Peninsula.

Temperature changes

Differences in temperature between summer and winter result in a high level of thermal movement in any structure. Mr. W. G. Phillips, head of building and civil engineering at the Gulf Technical College, puts the degree of expansion and contraction at 0.1 per cent. Great stress is imposed on a south-facing wall whose other surface is exposed to one kW per hour per square metre of solar radiation while tha inner surface is in an air-conditioned environment.

The resultant cracks can be penetrated by fine wind-blown sand containing up to 10 per cent of chlorides and sulphates which sooner or later corrode the steel reinforcement.

In the mid-seventies a team of United Nations specialists spent three years in the United Arab Emirates preparing a report on concrete deterioration for the Federal Ministry of Housing and Town Planning. The report condemned the use of cement which had lost its strength through overlong storage in poor conditions, and of aggregates with excessive amounts of silt, clay and chemical salts. Their recommendation for the use of a rubber-rich bituminous emulsion to form a waterproof membrane unaffected by corrosive constituents was reportedly used with success by J. D. and D. M. Watson on Dubai's sewerage scheme and by contractors Bernard Sunley in the foundations of the Dubai Trade Centre.

Problems of poor concrete and of corrosion and attack from salts are not restricted to the Gulf. Iraq and Egypt have experienced them too, although Jordan seems to have fared better. Engineers working in the area believe that while attention has been focused on the quality of construction materials, at least as many defects can be traced to carelessness and bad workmanship, to which expatriate contractors, using quality-controlled materials and the best machinery and equipment are just as liable as the small local concern with fewer facilities.

Extra precautions are required, for example, when curing concrete in the heat of summer because of the too rapid loss of water. The remedy lies in saturating the concrete early enough and long enough. Some contractors have tried increasing the cement content instead but this in itself causes cracking.

Poor workmanship

Poor workmanship and supervision are undoubtedly the main cause of deterioration in surface coatings. The first coat of paint is applied at a time when a client is anxious to use the building and the contractor to complete it so that he can receive money outstanding. So preparation of wood and metal surfaces is often inadequate, and rendered walls are allowed insufficient time to dry.

Roads are as vulnerable as buildings to attack by salts, which are brought to the sub-layers of tarmac by capillary attraction and cause rapid breakdown. Concrete kerbs crumble soonest where there is poor drainage. All roads are built with a planned maintenance requirement, including an additional thickness of surfacing as traffic increases. But remedial work is often neglected until the only alternative is a major reconstruction job. The Abu Dhabi to Al Ain highway is an example.

Up to 60 per cent of the construction cost of a building is in services such as power, water, air-conditioning and drainage. Here again there are special problems in the Middle East, and areas where the water contains 5,000 ppm of dissolved salts are a plumber's nightmare. Water like this even attacks stainless steel, or copper used in an immersion heater with a dissimilar metal. Tha right grade of plastic is good—but contractors have been known to use lightweight electrical conduit for a mains water supply, and to place it up a wall where it is fully exposed to the sun.

Air-conditioning equipment is frequently placed on roofs where the moving parts are quickly damaged by dust and sand. In addition, most Arab States lack building regulations to enforce adequate standards of insulation, which would cut down on air-conditioning and thus on power generatioo costs. This has been proved in hospital building in Kuwait.

Planned preventive maintenance is in its infancy. The normal system, even in Government buildings, is to wait for a defect to appear and then attempt to remedy it. Even painting is not carried out regularly except in schools and hospitals.

Special hospital maintenance staff were brought into Bahrain in December 1977 to set np a preventive maintenance schedule for tha island's nine hospitals—including the Sulmaniya medical centre which opened a year later—and 14 health centres.

This was an enlightened step, but despite an annual expenditure of close to $2m, excluding manpower costs, the former DHSS engineer in charge judges the programme is only getting half what it needs. Because priority must be given to services and equipment—on which the buildings are seriously under-maintained.

Based on the Estate Management Code of Practice (ESTMANCODE), planned preventive maintenance goes far beyond an ordinary breakdown service. It is a cost-controlled programme which tells technicians when and where servicing has to be carried out—and can be expanded to a management information system on plant and equipment requirements.

Applied to an old building, this systematic approach shows up the lack of previous maintenance bnt does result in heavy costs in the first year. These should decrease subsequently.

For ordinary commercial and residential buildings, maintenance can be divided into servicing, rectification and replacement. Servicing covers regular cleaning of floors, walls and windows, and painting and decorating both as a protective and an aesthetic function. Provided the property-owner can be persuaded to allocate sufficient funds, the work presents no problems.

More and more local companies are taking on maintenance as a side line to their construction business, and a number specialise in cleaning and security services for major buildings. Lift manufacturers usually have their own service team where a number of their products are installed, and importers of air-conditioning units also offer service and repair facilities.

Replacements too are a matter of financial provision and the planning of work to cause the minimum disruption. It is in the rectification field that property-owners face both abnormally high costs and a shortage of local skills. There are few local craftsmen with the knowledge and experience to remedy design faults and defects arising through failure of materials. All too often the work is neglected until the damage is much more extensive—and costly—than it need have been; or a jobbing labourer patches up a defect without getting to the root cause, with the result that the tronbla recurs within a matter of months.

One company, Cementation Middle East, specialises in injecting deep structural cracks with an epoxy resin which it claims hardens after 24 hours to become stronger than the surrounding structure. Cementation has worked in Egypt, Bahrain, Qatar and Oman, and has been based since 1977 in tha UAE, where a spokesman foresees enough work to last several years.

Jobs undertaken include sealing cracks in Sharjah power station, the old fort which houses Dubai's museum, the Dubai clock tower, and the Dubai smelter while it was still at the construction stage. An associated company does foundation and construction work, but Cementation ME sticks to its own particular kind of "trouble-shooting" and does not carry out other repairs. Very few companies concentrate on a comprehensive building maintenance service since this would tie up a large number of specialist staff.

Shutdown Maintenance Services (SMS), for example, which does a lot of plant maintenance for oil companies, restricts its non-industrial activities to contract cleaning of buildings.

Prominent among consultants and management companies in the Middle East property market are Cluttons, Debenham Tewson and Chinnocks, and Walker Son and Packman, while Knight Frank and Rutley were in Tehran. In Kuwait it is more nsual to find local concerns managing large properties.

Debenhams act as consultants on letting and management and as valners and surveyors on behalf of clients throughout the Gulf, incIuding Saudi Arabia and Oman. In Doha they are currently setting up management systems for the new seven-storey headquarters of the British Bank of the Middle East, and a 15-storey commercial building. In Bahrain they manage a number of buildings themselves, including the 18-storey Bahrain Tower which houses among others the Bank of America and the Ministry of Commerce and Agriculture.

Service charges

They oversee repairs and cleaning done by other contractors—and have recently succeeded in persuading a few landlords of the value of preventive maintenance to protect their investment. The introduction of service charges in addition to rent goes back to 1975, a Debenhams spokesman said—but it is still an idea which all but the most enlightened, both landlords and tenants, tend to resist.

The charge is currently calculated as 10 to 15 per cent of rental income, and the landlord is legally obliged to use this money for the upkeep of the building and for cleaning, security and insurance. As rents fall, however, service charges may have to become bigger to avoid a lowering of standards. Debenhams estimate that in Dubai office rents have dropped by 40 to 50 per cent over the past 12 months, flats 50 per cent and villas 10 to 20 per cent. In Bahrain the average decrease is around 40 per cent, but in Sharjah the slide took place much earlier; in Abu Dhabi rents are more stable.

Projects and Properties, which operate only in Bahrain, is one of the few agents to combine letting and management with maintenance, drawing on the 400-strong labour force of its construction division, Projects SA. The company was formed in 1977 and is now responsible for about 150 commercial and residential properties. A standing 10 per cent service charge is levied for office space, with 5 per cent for some residential accommodation.

Projects regards its maintenance activity not as a money-maker but as a service in conjunction with its letting agency and management function. Without a parallel construction business they estimate it would not be a viable proposition.

Mary Frings

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Clients force tough terms and reduce profit margins

WITH IRAN now beyond the pale, and out of the reckoning for the time being, the Arab world—or at least those countries in it blessed with oil—represents one of the few buoyant markets attracting the attention of the international construction industry. By the same criterion it is a perverse one where inherent difficulties are exacerbated by intense competition and generally narrow margins. The days of heady growth experienced in the 1974-75 period are a phenomenon of the past that is unlikely to reappear. The doubling of oil revenues over the past year will not mean another explosive spending spree mercifully for both clients and contractors. But the Arab oil producers are as much as ever buyers' markets where he who *pays* the piper, at least in the predominant public sector, also calls the tune.

In practice, this has meant no relaxation of tough terms imposed by governments in the region, in particular a rigid adherence to fixed-price contracts. Clients continue to demand unconditional guarantees and are reluctant as ever to contemplate agreeing to provisions allowing for international arbitration.

Contractors not only still face the problems of covering themselves against contingent liabilities but also the increased cost of insuring against risks at a time when intense competition has tended to reduce profit expectations. Payment delays remain a hazard, with clients accepting no obligation to compensate for accumulated interest incurred as a result.

Excess capacity

Only in one respect has there been a significant change for the better. The region no longer suffers from the kind of strains and dislocations of the kind suffered in the boom years that only noticeably began to ease towards the end of 1977. All the Arab oil states now enjoy much expanded and improved infrastructures — to the extent that some, like Saudi Arabia and the United Arab Emirates, now have an excess of port capacity.

Generally, building materials are locally available in abundance and variety. Both governments and contractors have gone a long way to overcoming the shortage of manpower and dearth of skills. Above all, internal rates of inflation have been reduced to manageable and predictable levels.

All that has made it easier for the construction industry to live with fixed price contracts even if the variables in the Arab world can still be such as to cause greater than average concern. Arguably, buyers would benefit from speed of implementation and a better product in the long term by proceeding on a "design-and-build" basis which necessarily involves a cost-plus fee. It is, however, against the Arab mentality to accept anything less than a binding commitment as regards price. The general preoccupation with "inflated bids" only strengthened this attitude when the Arab oil states concluded about three years ago that they were being exploited. They have tended to ignore the local factors largely responsible for the comparatively high cost of projects carried out in the region.

Insistence on fixed prices is still the almost invariable rule. The one big notable exception involves the projects implemented by the Arabian American Oil Company that are carried out on a cost-plus fee basis. The U.S. Corps of Engineers has also been prepared to allow for some escalation factors in contracts that it has supervised. It was also allowed for the construction of the Arabian Ship Repair Yard in Bahrain.

Dubai, where a unique relationship between the Ruler and contractors exists, has also been flexible. But it has suffered two spectacular cost over-runs for its dry dock and its aluminium smelter that other Arabs might point to as a cautionary tale about showing such indulgence to contractors.

Bonds demanded by clients remain a problem for contractors. Guarantees required to support bids can vary from 1 per cent for State contracts in Saudi Arabia to 5 per cent in Iraq. Designed to discourage unsuitable contestants, to prove good faith, and to ensure a winner does not withdraw after an award is made, they have been acknowledged as justified.

Nevertheless, the sums involved can be considerable and also onerous when awards hang fire. One example has been the delays over a decision on the University of Riyadh complex in Saudi Arabia for which the lowest bid was no less than $3.4bn.

Contractors receive advances amounting to 10-20 per cent of contract value for mobilisation, with the money being repaid through pro rata deductions from progress payments. For contractors these funding arrangements, which are interest free, can be regarded as very advantageous. The fact that they have to be covered by guarantees cannot be cause for complaint in itself.

'Open cheques'

The misgivings arise from the unconditional nature of the bonds that have been frequently described as "open cheques" because they can be called at the whim of the client. That goes also for performance bonds covering 5 to 10 per cent. Again, no one would deny that contractors should be held responsible for the quality of their work. However, the buyer is the sole judge of performance. With little exception no allowance is made for international or independent arbitration. Where provision is granted for the settlement of disputes, it is almost always in local institutions and according to national laws.

In addition, bonds to secure the release of retention money or to guarantee warranty obligations may also be required. The time period involved is 10 years compared with the normal one-year maintenance period.

The origin of this decennial liability, ironically, is French law, originally adopted by Egypt and then subsequently by other Arab countries. Kuwait has gone even further in making a contractor responsible for the consultant's work as well as his own. Some have also been made to agree to any alteration or modification, after completion of the project, without any right of opposition unless the obligation exceeds 15 per cent of the contract price. Algerian and Iraqi contract terms are said to be the toughest of the lot.

Arab states have moved towards acceptance of the contract formula recommended by the Federation Internationale des Ingenieurs-Conseils, but always amending it to their own advantage and excluding any reference to arbitration by the International Chamber of Commerce.

Not the least because of the pained reaction of western companies to the decennial liability, Egypt is currently in the process of amending its laws so that the *statutory* obligation may be inapplicable in certain cases. That could be seen as reflecting the greater bargaining power of contractors in buyers' rather than sellers' markets.

Even in the latter it is possible to cite examples of flexibility. Libya, for instance, recently agreed with a West German company—which has carried out a number of large projects in the country—to provision for international arbitration in a contract. Even in competitive markets more can be achieved through negotiation and persuasion, in getting Arab states to move towards internationally accepted contract practices than the contracting industry appreciates.

It should be stressed as well that the problem relates to governments or state agencies and not the private sector. No contractor in his senses would agree with a private client to unconditional demands nor would there be any need for him to do so.

Arbitrary and capricious calling of bonds by Arab clients has been rare. Nevertheless, apprehension about contingent liabilities and political risks have been increased by events in non-Arab Iran and the resulting uncertainty in the region of the Gulf. Since the revolution, Iran has committed a number of defaults, mostly relating to ordinary trade deals, and Britain's Export Credits Guarantee Department alone has so far paid up £30m for political risk insurance. Like all other major western governments, the UK gives cover against the unfair calling of on-demand bonds.

In this field, political reasons overlap with economic ones and it is difficult to differentiate between them. The ECGD's comprehensive construction works policy gives a 90 per cent cover with premiums of 1-3 per cent depending on the period of exposure and the country involved. Currently the ECGD is underwriting nearly 100 contracts in the Arab world with a *total* value *of £500m and* a bond value of £90m. The amount of potential claims is about double what is was about a year ago.

For a contractor it is a question of choosing the whole ECGD package or nothing. According to the extent of the coverage judged necessary, it can be cheaper to insure through the commercial market with a policy more finely tuned to a company's requirements. Over the past eight years or so, Lloyds, the American Insurance Group and other insurance companies have developed a broad range of policies to cover political risk.

Firm provisions

Yet there is a limit to what the business can do to satisfy Arab bond requirements. One reason is that the insurance business looks askance at unconditional guarantees and wants firm provision for fair arbitration. For their part, Arab clients are unfamiliar with the insurance business. They do not appreciate the system whereby an insurance company stands surety for a contractor, undertakes to cover actual losses suffered by a buyer and takes responsibility for completing projects. They prefer instruments that they understand and can be easily liquidated.

Consequently, the banks have been responsible for all but a small part of the business of issuing guarantees or, in the case of U.S. companies, standby letters of credit, while insurance companies have been confined to providing cover against the unfair calling of bonds.

Overall, charges made by banks are very much cheaper than equivalent coverage through the issue of bonds by the insurance industry would be. With the growth of the market and the involvement in it of many more banks, rates have fallen to a dangerously low level in view of the inherent risks. Compared with a rate of 1-1.5 per cent they have fallen to 0.5-1.0 per cent. Because of competition, most operators do not even require cash security deposits as a backing for their commitments on behalf of contractors.

Doubts have been expressed about the expertise and knowledge of the industry of many of the banks now active in the field. At the same time there has been a trend towards syndicating guarantees. They can be so large that they exceed the amount which a customer is prepared to receive from a bank or, in turn, any one bank is prepared to give.

Sums involved are frighteningly large in absolute terms and in relation to the assets of many contractors. The total of contingent liabilities remains uncomfortably large.

Richard Johns

Terry Kirk

The smelter for the Dubai Aluminium Company at Jebel Ali is almost complete. Several British companies are involved in this major project which has British Smelter Constructions as the main contractor. Others include Wimpey, Costain International, Hawker Siddley and Weir Westgarth. International sub-contractors include Ferrostaal, Klockner Humboldt and Riedhammer of Germany. The smelter will produce 135,000 tonnes a year when in full commission in a few months' time

Emirates generate fierce competition

THE UNITED ARAB EMIRATES (UAE) once epitomised the boom market for international contractors. Abu Dhabi, its capital, was a late developer compared with other nearby states such as Kuwait, and when the oil prices began to spiral after 1973, it wanted everything from multi-berth ports to airports, roads and gas liquefaction plants.

Up the road in Dubai, the under way in the UAE, much to gaged on building the world's largest dry dock, a massive aluminium smelter and a port large enough to be dubbed the Rotterdam of the Gulf.

That was all three years ago, and the influx of contractors market, but a tough one. The has now turned into an exodus—at least from the northern Emirates. Now in Dubai, architects, quantity surveyors and consultants are quietly leaving, their departures marked only by unanswered telephones, and frequently with large amounts of money still owed to them, many are still hanging on; a number of them still waiting to be paid for past work done, others turning their UAE offices into Middle Eastern operations, and many more planning their entrances to the one market in the UAE which is exhibiting very healthy signs of life—Abu Dhabi.

Despite the fact that much of the decision making is now being done in Dubai since its ruler, Sheikh Rashid, took over as Prime Minister last summer, Abu Dhabi is still the seat of power for one reason—it is the largest oil producer and thus the main financial provider to the Federation.

Federal Government contracts still have to go through the gamut of thousands of bureaucrats who make up the federal system and the Permanent Projects Committee, a special formed body which vets all projects and contracts, which Western diplomats view as Abu Dhabi's method of ensuring that the Emirate does not become overcharged in its development programmes. Indeed, it has been singularly successful in this, for Abu Dhabi is believed to have secured the cheapest construction costs in the Gulf.

Such an achievement has not been made without some heartburn to local and international contractors. The boom period has left Abu Dhabi with hundreds of contracting companies vying for work—often just to stay in business. Added to that, the Koreans have now turned their attention to the UAE with the usual dogged determination which marks their entry to a market.

Hyundai, one of the largest South Korean contractors, has some half a dozen contracts underway in the UAE, much to the disgruntlement of the local companies who cannot match its prices, and also to the local merchants who grumble that the Korean presence generates no commercial spin-offs.

Abu Dhabi is a steady market, buta t ough one. The score or so British contractors represented in the capital are up against not only competition from Germans, Dutch, French and the local Lebanese and *Palestinian companies*, but *more* recently the Yugoslavs, Greeks and Turks have been attempting to get a slice of the action, often backed by high ranking trade delegations and bidding at low prices just to secure a foothold.

Government's heyday

With so many companies fluttering around the honeypot, the Federal Government departments have a heyday of playing one bid aginst another. On a recent pipeline project from Abu Dhabi to Al Ain, some 183 companies picked up the tender documents, and there were some 60 bids at the end. What happens usually is that officials will pick the cheapest five, and then either open again for rebidding, or negotiate the bid they want down to the lowest price offered. Competition is such in Abu Dhabi that often contractors will put *in a higher bid* bond *than is* necessary, merely to disguise the true amount of their bid.

Many of the local banks also employ clerks whose job it is to find out the amounts in other competing offers. Another technique frequently used by contractors to maintain secrecy *over* bids *is to submit* their offers half an hour before they are due to be opened.

The net result of all this competitive frenzy is that a successful tenderer who has a bid accepted and then re-negotiated ends up wondering if he really wants the work. Frequently the difference between the original offer and the final price after re-bidding and renegotiating has gone on, can be as much as 10 to 15 per cent. One British company whose tender had been subject to re-bidding and then re-negotiation, decided that after all the price was just so low as to make their involvement in the project not feasible economically, and they chose to opt out. As one Western diplomat concluded: "You could say that Abu Dhabi's development programme is being subsidised by Western contractors."

The private sector in Abu Dhabi, like the rest of the emirates, has taken a considerable beating when the property crisis became evident in 1977. Abu Dhabi is still devising means of filling the existing apartment blocks in the city and until such time, a ban on office and residential buildings has been enforced by the municipality. However, villa building is still going on in the town, financed by local banks, and overall, the property market in Abu Dhabi is less disastrous than in other parts of the UAE. Western contractors have been finding small, but lucrative work building palaces and office complexes for some of the leading personalities in the Emirate, to whom the ban on new construction appears not to apply.

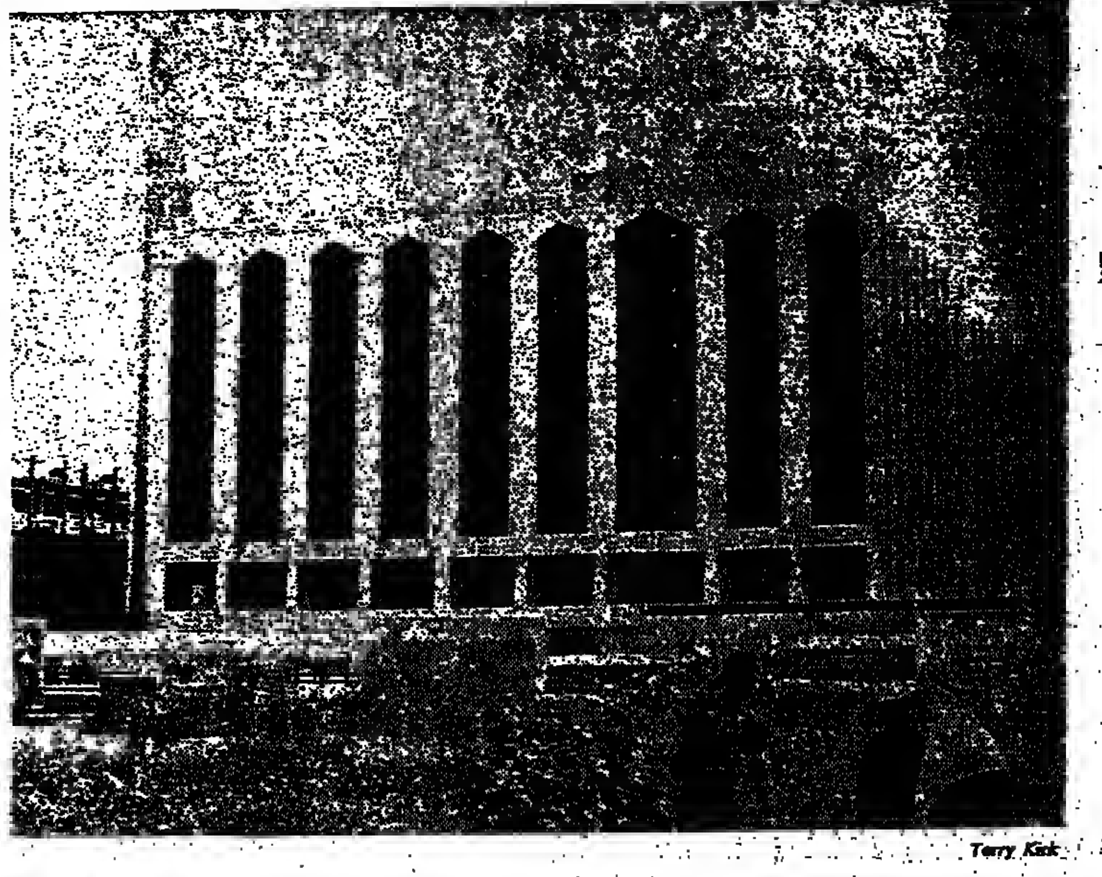
Fedaral spending is also likely to experience a boost in 1980 and the draft budget for the year from Sheikh Rashid indicates a considerable rise in new capital investments, whereas the last three years' budgets have all been marked by an absence of new projects and a continuation of existing ones. The Prime Minister now appears to be pushing for an expansion in the economy, and the budget is expected to rise from Dhs 9.7bn ($2.5bn) last year to Dhs 11.25bn ($3bn) this year. A great deal of this can be expected to be channeled to the northern Emirates.

But the bonanza for the next few years for international contractors *will* of course *be* provided by the burgeoning giant of the Abu Dhabi National Oil Company (ADNOC), which is engaged in projects estimated at $7bn.

In awarding chunks of the work, ADNOC has attempted to spread the contracts to competing nations to ensure that no country is endowed with more than any other. It has also hesitated to take advantage of contractors' mobilisation in the Ruweis area (where most of the development is taking place), and has preferred to award work to differing companies in Abu Dhabi to avoid the dangers of companies becoming over-extended and failing to perform.

Foreign contractors working for ADNOC are full of grumbles about the institution, but usually in the end concede that it is a fair and good client to work for, and one which at least pays *promptly*. *Getting in* on their pre-qualification lists can be difficult, but once you are in the right official's office, then he is willing to listen to your sales pitch, say local contractors.

But have one dispute with ADNOC and the company will find itself blacklisted from any future work, even as a sub-contractor. One British company which was delayed on one project owing to ADNOC's own delays in providing on-site materials was forced to swallow a lower rate of compensation than was asked, merely to keep in ADNOC's good books and ensure future work. "It works," said the company's manager. "Two days after we settled the dispute, we were awarded another contract."



Terry Kirk

The Delta Bazaar and Gold Souk in Dubai under construction by Galadari

Blacklisted

British companies have secured their market share of ADNOC's development programmes. In the gas projects at Ruweis some 25 per cent of the work has gone to British companies, on the oil refinery, only 2.1 per cent, and on the offshore oil field projects the major part of the work has gone to French companies. This is primarily because of the involve*ment of the* Companie Francaise des Petroles. CFP and the French branch of Foster Wheeler and Ameron Serete are the managing consultants on the Zakum projects, which has generated a considerable supply of contracts for French companies.

Apart from the ADNOC projects in Abu Dhabi, the UAE defence force *is likely to* become an increasing source of work for local construction companies. Some $250m has been earmarked for defence spending, and a large part of that will be in infrastructure, mainly in Abu Dhabi, say local sources. The Government is also expected to embark on the construction of a number of prestigious office blocks for various Ministries, and a trade centre is on the cards, all of which will provide opportunities to Western contractors to demonstrate their international skills.

In the northern Emirates, the picture is not as rosy. Indeed most of the companies already operating in the area are scrambling to find themselves Abu Dhabi sponsors to enter the Abu Dhabi market. (A Dubayan sponsor, no matter how prominent he may be, does not necessarily guarantee you the right to work in Abu Dhabi as many companies have found).

In Dubai, since the commercially minded ruler, Sheikh Rashid, began selling his oil on the spot market, a number of contractors have had their long standing bills paid, but despite there being more money in the kitty, it is as yet unlikely that the oil bonuses will be translated into new development or *industrial projects* of the magnitude of three years ago.

Much of the major work such as the dry dock, the smelter and all the work at Jebel Ali is now either finished or nearing completion, and no new major projects are on the drawing board.

Further north the scene gets even *gloomier*, with *many* contractors not only hungry for work, but still awaiting payment on work done a year or more ago. In *Sharjah*, particularly, the Government has been tardy in paying its contractors, and now local business circles would advise any company offered work in the Emirate to build the interest on payment into any bids.

Most of the reputable foreign companies would hesitate to accept work there, and this can be evidenced by the number of local and Gulf contractors who have been taking on the work. As one consultant put it, "if you are a newcomer to the area then don't come to the northern Emirates. Or to be more precise, only foolish virgins would try to enter the UAE market at the moment."

Kathy Bishtawi

Building industry the major employer of migrant labour

THE CONSTRUCTION sector is the major employer of migrant labour in the region. In the 1970s, jobs on construction sites abounded as development in the oil rich states proceeded. Any able-bodied man could find work in the hectic days of development, when manpower bottlenecks were the constraint to development. But as tima passed and development matured, *unexpected patterns* began *to* emerge.

In 1975 there were about 1.6m migrant workers in the capital rich states of Saudi Arabia, Libya, United Arab Emirates (UAE), Kuwait, Qatar and Bahrain. About 28 per cent worked on construction sites. Three quarters of these were Arabs and the remainder came from the Indian sub-continent or the Far East.

Even by 1975, the ethnic composition of migrants was changing rapidly. Tabla 1 shows that for the four states shown, Arab migrants accounted for some 51 per cent of the total in 1970. By 1975 this proportion had fallen to 42 per cent, while Asian migrants had increased their share from 26 per cent to 46 per cent.

These figures reflect an underlying change in the migrant labour market, which is progressively swinging away from Arab labour towards Asian and Far Eastern labour.

Clear reasons

Table 2 shows exactly how far this trend will hava progressed by 1985. Out of a total of some 3m migrants, 1.7m will be Asians or Far Easteners.

The reasons for this transformation are clear. Just as the supply of Arab labour is drying up, so the propensity of Asian and Far Eastern countries to export labour of the right kind and in the right way has grown. The growing size of projects and contracts has tended to favour better organised and financed *companies from countries like* Korea.

Moreover, the propensity of Asian and Far Eastern companies to provide a skilled workforce of single men has made them highly attractive to Peninsula states for political and social as well as for economic *reasons*.

TABLE 1

MIGRANT WORKERS IN KUWAIT, BAHRAIN, QATAR AND UNITED ARAB EMIRATES BY ETHNIC COMPOSITION IN 1970 AND 1975

	1970		1975	
Ethnic origin	No.	%	No.	%
Arab	165,900	51.0	226,400	41.7
Asian	83,900	25.8	247,700	45.7
Iranian, European and other	75,300	23.2	68,400	12.6
Total	325,100	100.0	542,500	100.0

Source: Birks, J. S. and Sinclair, C. A., International Migration and Development in the Arab Region (Geneva, ILO, 1980).

TABLE 2

MIGRANT WORKERS BY NATIONALITY IN THE CAPITAL-RICH STATES, 1975 AND 1985

	1975		1985	
Migrant workers	No.	%	No.	%
Total	1,649,100	100.0	3,056,000	100.0
of which Arabs	1,236,600	75.0	1,236,600	40.5
Asians	277,500	16.8	500,000	16.3
Far Easterners	14,600	0.9	1,179,400	38.6
Iranians	86,100	5.2	70,000	2.3
Europeans and Americans	34,300	2.1	70,000	2.3

Source: Birks, J. S. and Sinclair, C. A., Arab Manpower: The Crisis of Development (London, Croom Helm, 1980), *table* 20.7.

Tha wealth and prosperity of the capital rich states tends to deflect attention away from the capital poor Arab states. The sudden surge of remittances from migrant workers has triggered off a construction boom contemporaneously with that of their more affluent neighbours. But there has been a lack of the requisite manpower to effect construction projects, since tha departed migrants *tended to be those* with these skills.

The effect of sudden growth of the money supply together with shortage of labour in countries such as Egypt, Jordan, Syria, North and South Yemen, and Sudan has been spiralling inflation. The price of land and housing has risen incredibly.

Ironically, just at the time when foreign exchange constraints were eased for these poor countries by much higher levels of remittances, so also did the oil rich states become more generous with their aid payments.

This created a paradoxical *combination of poverty and* affluence: desperately needing to develop infrastructure, these poor countries were unable *to* execute projects for which finance was assured because of labour shortages. Perhaps predictably, but certainly surprisingly, these capital poor states began themselves to use Asian and Far Eastern companies for particular development projects.

It is extremely difficult to argua convincingly that *the poor* Arab states have gained much from their participation in the economic development of the oil rich states. The supposed benefits of remittances prove to be instead a cause of inflation, which is exacerbated by the shortage of labour.

The selectivity of international migration ensures that those more able and more skilled leave first. Inevitably those left behind are unskilled and less competent than their colleagues abroad.

This lack of skilled manpower and the poorer quality of the remaining workforce compromises domestic economic development. Financial compensation is particularly inadequate since foreign exchange and finance are not the scarce factors of production.

The final twist to the plight of the capital poor states is the likelihood of the return of many of their migrant construction workers, as their Asian competitors ease them out of the market. So at once remittances will fall and labour will suddenly be in surplus supply again. However, in the intervening decade littla development will have occurred, and managing the labour market will *be more difficult*.

The question which large *contractors* and *governments* in the capital-rich states must ask themselves is how permanent the development is that is presently underway. If large enclave developments are constructed at Yenbo, Jubail, Ruweis, Umm Said, Jebel Ali and Shuaiba by Far Eastern labour and if industrial enterprises are manned entirely by expatriates who live as single men in work camps, then is the result development, or temporary *growth?*

As industrial development proceeds on the present lines, the possibility that indigenous citizens feel estranged from modern economic development must grow. The legacy of past development in terms of the demographic composition of these societies has yet to be fully experienced. The process of settling, as single men become families of four (as they certainly will do over time) is bound to increase the sense of isolation among nationals, already in a small minority.

The translation of a general feeling of resentment against expatriates into political action brings into question every aspect of modern development. However, there is little which can be done at this stage to change the path of development.

Stace Birks and Clive Sinclair

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ARAB CONSTRUCTION IX

Saudi market is world's largest for export contractors

SAUDI ARABIA is perhaps unique in that for the past five years building has been the major preoccupation of the Government and of a majority of the merchant class and the labour force. With a value of up to $22bn last year, the construction market in Saudi Arabia is almost certainly the largest in the world for export contractors. Yet they are gloomy about prospects in the future and planners in the Government insist that growth will tail off.

A good portion of the planners' attitude is wishful thinking. For the period of the second five-year development plan, Government spending on infrastructure projects was the predominant mover of the economy. Manufacturing capacity installed so far has been primarily for construction support.

In the Third Plan, which will be published in the spring, the Government is committed to developing productive sectors where double-figure annual increases in GDP will not, as in the Second Plan, be a function simply of a rapidly expanding workforce but of its increasing productivity. Among tha strategies approved for the plan is a static foreign labour force, with a marked shift from construction skills to clerical and administrative ability.

Construction companies in the kingdom are watching the Government even more closely than usual. This is not simply because the Government accounts for up to 90 per cent of the market through fixed-price awards: in what is still rather a primitive economy, the higher the level of budget expenditure, the greater the economic activity of all types.

Unfortunately, there are two contradictory impulses in the Government's attitude and the plan, when it is published, will not fully reflect this. The first is is that the domestic construction market has been the major channel for the transfer of wealth from the Throne to tha private sector, which is everybody else. This has been the case for a very long time, but particularly since the reforms of the late 1950s when Prince Faisal and Anwar Ali of the Saudi Arabian Monetary Agency encouraged land grants as an alternative to unstoppered civil lists.

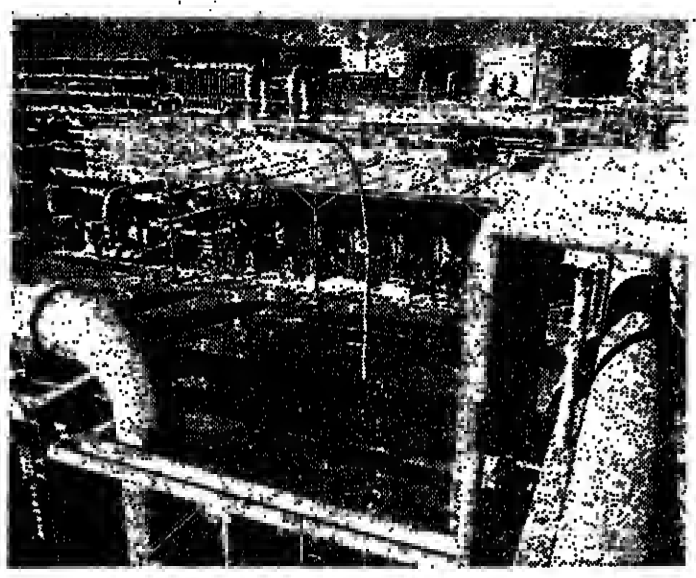
This transfer of wealth happens in a variety of ways; from the simple award of a contract to a Saudi builder or joint venture, through the dim world of speculative compensation and commissions down to the services the merchants provide foreign workers and construction firms. Even more directly, the Government has made available SR 38bn ($9.5bn) in interest-free mortgages from the Real Estate Development Fund to those who have received land or, in the case of many bedouin, have obtained title by squatting.

Speedier land grants

That the Government is not yet entirely willing to dispense with such direct transfer was shown soon after the siege of the Great Mosque in Mecca and tensions in the eastern province in December. Municipalities were instructed to speed up grants of land for poor Saudis to build houses; earlier King Khaled had issued an instruction that a very large backlog of compensation payments—of the order of SR 6bn be cleared. In Jeddah, well over SR 1bn is owed by the city, and its disbursement is eagerly awaited by the local building industry.

In Jeddah, for the past year, around 30,000 new flats and a 2,000-flat public housing project have stood empty while rents (for four rooms) have dropped from about SR 40,000 to SR 25,000. For several businessmen in Jeddah, rents are now so low that property and house building are no longer seen as profitable. Even so, many landlords have held their properties empty against the hope that the Government would raise spending to bring in more foreign companies.

Yet the Planning Minister, Sheikh Hisham Nazer, and the Finance Minister, Sheikh Muhamad Aba al-Khail, insist that this will not happen. The goal for spending over the next five years has been approved and Crown Prince Fahd has implied that it will not be raised because of the winter's domestic tensions. The figure quoted by officials of SR 830bn in 1979 prices looks large against the SR 405bn of the 1975 plan; against the total spending of over SR600bn in the last five years, it means no real increase even on official estimates of inflation.



Saudi Arabia offers big opportunities for desalination and water development. This desalination plant at Jeddah produces 38,000m cubic metres of water daily. The civil sub-consultant was Sir William Halcrow and Partners. Ewbank and Partners were consulting engineers

The first three years of the Second Plan saw exceptional increases in public spending, but it was not until 1977 that budgeted and actual expenditure came into line. At the time, the constraints were simply the ability of the Government to define projects and award contracts and of contractors to bring in materials and labour. In an atmosphere of urgency and low competition, construction costs could vary from SR 3,000 per square metre of housing to SR 7,000. Tendering was sloppy and the urgency such that bidders lists, even from the U.S. Army Corps of Engineers at the Defence Ministry, might comprise only two or three names.

As the physical or bureaucratic constraints were cleared, spending on construction got quite out of hand. Mr. William C. Grindley, a senior American planner working with the Planning Ministry, said in Houston in December: "In the last two years, the commitments made by the Government for physical infrastructure have been so large as to outstrip the current income of the Kingdom."

Alarmed at such a rapid excursion into deficit financing, the Finance Ministry was permitted first to sit on the budget, then to delay or scale down new projects and, finally, to allow Ministries to hold back payments to contractors for months on end.

By the budget session of June 1978, the Finance Ministry had the public support of Crown Prince Fahd, and most senior royal officials. A ceiling was placed on Ministry spending and clients at least had to affect cost consciousness. For example, the Military Procurement Office of Prince Sultan's Defence Ministry made three rather than four quarterly payments on some ongoing projects during the fiscal year that ended last May. The present financial year began with an order from Aba Al-Khail that no new contracts be signed at all and funding was held up. The restriction was lifted later in the summer, but the delays on payments have lasted right into this year.

This left contractors in considerable difficulties. Because of the slow payment, and because what money was available tended to disappear quickly to take advantage of deflationary interest rates abroad, liquidity in the market was short for the second half of 1979. With local interest rates up at 11-13 per cent, contractors who might have been willing to wait on the certainty they be paid eventually started finding the cost of waiting prohibitive.

Second, the slowdown in new awards coincided with a great increase in competition for orders. The actual cost conscientiousness of most Government clients has been doubted; but certainly the new curbs on spending meant that clients were starting with a low bidder and then negotiating down.

Korean firms thus picked up more than $3.4bn in Government orders in 1979, considerably ahead of any other country. At the same time, the need to finance ongoing work through new advance payments (usually 20 per cent in the case of the Government) has made the competition for new work cut-throat.

The cost deflation in basic construction has been remarkable. According to Mr. George Gray, a former Corps district engineer now consulting with Korean companies, apartment schemes now go out for as little as SR 2,000 par square metre against as much as SR 7,000 four years ago. A recent award for prefab schools in the country went for SR 1,300 per square metre. "Obviously, at that last price, competent contractors will refuse to bid," he said in indication that even Korean firms can bid no lower.

New toughness

Third, the Government clients are less and less willing to permit extras on contracts or allow renegotiation. This has meant that contractors who have been willing to "loss-lead" on a first contract in the hope of extras and a second phase have found these have not materialised. This is particularly serious for those companies that saddled themselves with a large commission payment on a first fixed-price contract in the mid-1970s; the leader of the Eurosystem Hospitalier consortium, which filed for bankruptcy in Brussels in the summer, is one major example. The Ministry of Communications even called a 10 per cent performance bond (against a Swiss company): while perfectly justified, the action seemed symptomatic of a new toughness.

At the same time, contractors from countries outside the dollar bloc have found it no easier to protect themselves against the declining value of the dollar and the Saudi riyal. After revaluing the riyal against the dollar reserves diminishing faster than necessary as contractors exchanged appreciating riyal contracts.

Since then, SAMA has been keen to keep the riyal low while Ministries have been less willing to renegotiate exchange losses. In November, the Finance Ministry ordered that contracts over SR 300m to foreign firms be paid in dollars not riyals; but this move was designed to curb the rapid loss of market liquidity to deposits abroad and non-dollar contractors will be no better off. It has yet to be seen whether Ministries will still pay in Swiss Francs or Deutschemarks, but contractors from these countries are not hopeful.

The curb on spending has also had its effect on private construction. Overcapacity in hotel space in the eastern province, and in Riyadh and Jeddah, has been reached earlier than expected. The tendency of Saudi businessmen not to think anti-cyclically—a failure most remarked on by the merchants themselves—will probably mean that hospitals in Jeddah, supermarkets and this year's "fad," integrated shopping centres, will go the same way. These will be poor prospects until at least 1982 unless, of course, spending is freed.

With revenue vastly increased this year because of the oil price rises (an official estimate is $80bn) and inflation at around 10 per cent in the eastern province. Aramco survey and much less according to the Government, it would seem that the planners could afford to stimulate the economy through construction.

On the contrary, officials argue, the increased revenue will disappear the way of the 1974 balance of payments surplus ($24bn) if "fiscal discipline" is not introduced. "Expenditure on construction in the Third Plan in current prices is not likely to exceed expenditure in the last five years," Mr. Grindley said. An independent survey produced by Plantecon (Overseas) Research suggested that spending on private and public building would peak at $24bn this year, then decline by 15 per cent over the next two years. This will inevitably leave surplus capacity in materials, precasting and stressing plants and heavy equipment.

As an indication of Government thinking, Mr. Grindley said that certain prestige projects now at the design or bidding stage had a less than total chance of being built and there would be a shift toward renovation, as the Finance Ministry has done with its own Riyadh headquarters, and maintenance.

Rather different

Reality will probably be somewhat different. Although Aba Al-Khail has said that the bulk of the State's commitments to infrastructure is now in hand, major work in defence construction, at the airports, in telecommunications, at the industrial cities of Jubail and Yanbu and in municipal services outside the major towns has yet to be awarded. Meanwhile, the deterioration of the international balance and the shock of domestic disorder have suggested several new projects, which are now under active discussion within the Government.

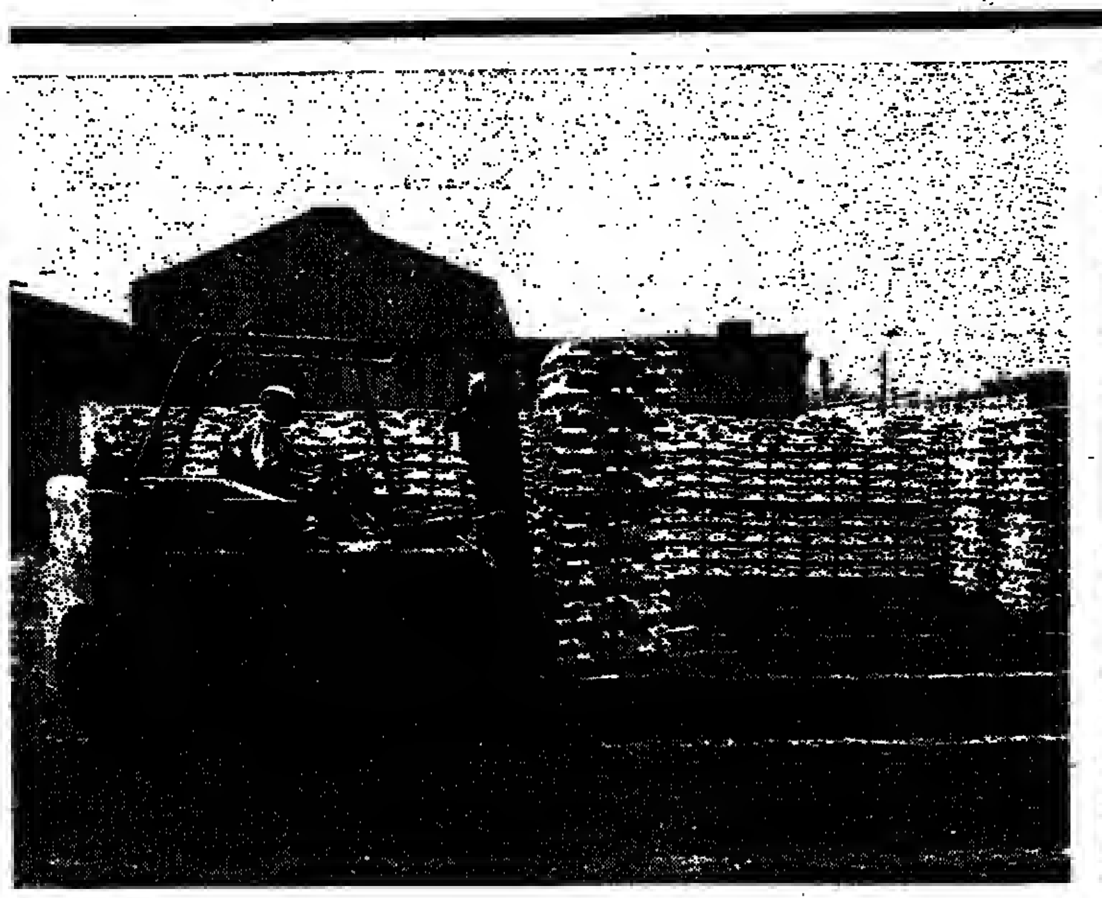
A shortlist of these projects would include: the long-discussed Bahrain Causeway; major investment in the National Guard; a "denial programme" in the oilfields; looping of the East-West pipeline and a new pipeline to Oman and far greater concentration on the countryside. Meanwhile, Aramco has started on a vast programme of pressure maintenance and crude desalination in the Ghawar, Safaniya and Berri oilfield which will not be reflected in the budget. Just as the Government's decision to cut facility capacity targets in 1977 caused a slump in the eastern province construction market, so the oilfield improvement and the development of fields in the Empty Quarter will generate considerable work right into the next century. Aramco is now experimenting with fixed-price contracts on large work.

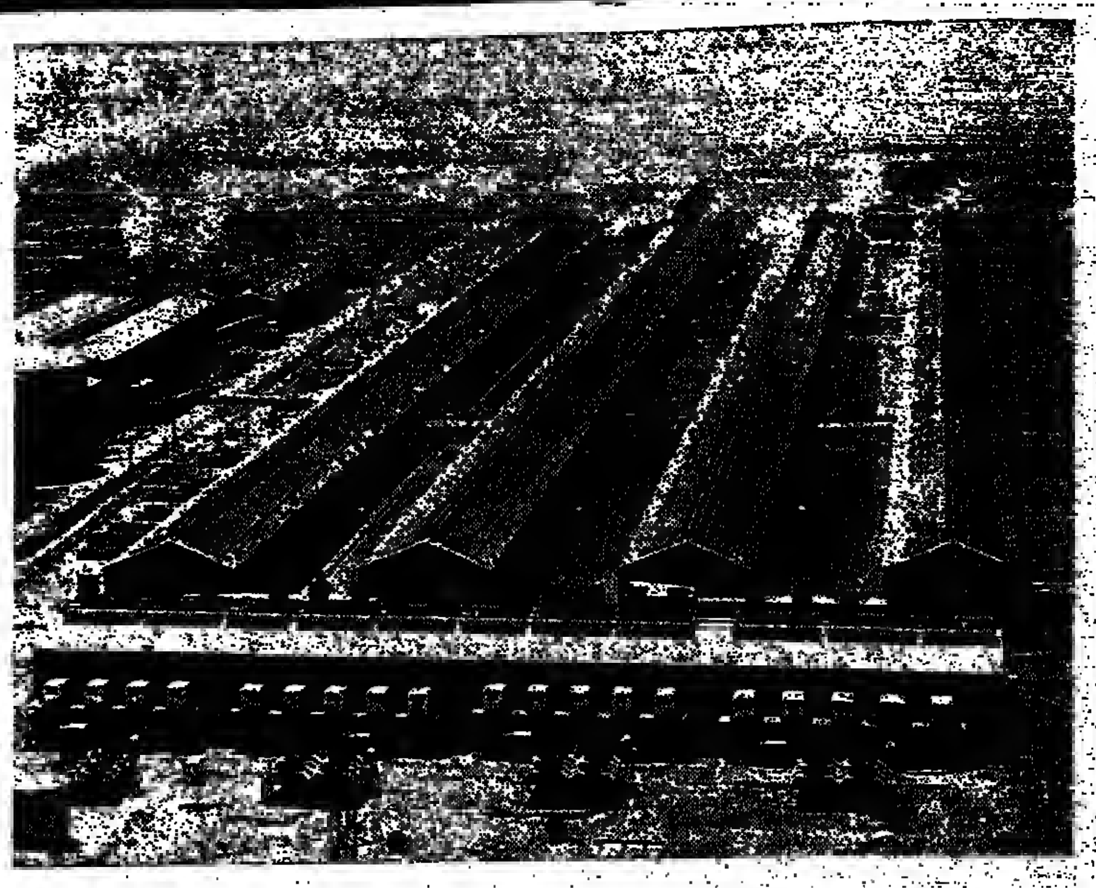
The persistent problem of water shortages must also be tackled and there will be large construction opportunities in desalination and groundwater development.

The large-scale construction market is probably saturated. With any number up to 50 names on a bid list, successful companies will be those who have gained the trust of clients or possess powerful Saudi sponsors. But most contractors are aware that the payment of commissions risks becoming an internal political issue and a firm was blacklisted for a short time in the summer.

American firms still complain bitterly about the burden of taxation, ethics and boycott legislation they must operate under; the decline in market share from 9 per cent of Saudi civil construction to 3 per cent in the course of the Second Plan will not easily be reversed. British companies have maintained only a wavering hold on the market, and two small firms went bankrupt in 1978 when spending was slowed. But the liberal taxation allowance has meant that Saudi and U.S firms are increasingly employing British managers in the Kingdom, and this has necessarily helped British exports related to construction.

James Buchan





Pictures: Glyn Genin and Terry Kirk

The huge Alba smelter complex at Sitra, Bahrain, produces 120,000 tonnes of aluminium a year. The Government is to fund a $120m expansion programme over the next two years to raise capacity by 50,000 tonnes. Contracts have so far been awarded to two British companies, Ewbank Partners and John Brown Engineering

Competition for contracts in Bahrain grows tougher

WITHIN WALKING distance of the Bahrain Hilton, a visitor to Manama can see under construction three major hotels, a "palace of justice" to bouse the Law Courts and the Ministry of Justice and Islamic Affairs, a new main branch for Chartered Bank, several office blocks and the beginnings of a multi-storey commercial and shopping eentre.

Further out of town, building projects include a $10m sports stadium, a new beadquarters for Bahrain Telepbones, an ornate furniture sbowroom, government bousing sites in seven or eigbt different areas, and dozens of private residential developments ranging from modest villas to mini-palaces.

So where, one asks, is the much-discussed recession? Bahrain is after all a very small place, with an area of 255 square miles and a population of about 350,000. Its oil production is declining and its revenues are meagre by Gulf standards. The level of construction activity would seem to be at least commensurate with its size and wealth.

The trouble is that in Bahrain, as in the United Arab Emirates (UAE), everyone jumped on tbe construction bandwagon. International consultants, designers and contractors gathered like bees around a honeypot. Profit margins in 1975-79 were said to be three times bigher than in Britain, for example, where the construction industry was struggling through its leanest years since the 1930s.

Fastest-growing

For companies like Taylor Woodrow, Costain, Laing and Wimpey, the Middle East was their fastest-growing market.

At the same time, every local businessman with an eye to a quick profit set himself up in the property developing or contracting business. The sbeer volume of work between 1974 and 1976 meant that there were enougb contracts to suit the financial capacity and expertise of smaller local enterprises.

Now sanity has returned. Office and apartment blocks no longer pay off in three to five years, and banks scrutinise project proposals mnch more closely. Lending to the construction sector has yet to sbow a marked fall, but this reflects the number of projects still to repay their investment rather than many new loans.

Under these changed conditions there are more construction companies in the market than the economy can reasonably support. A number of foreign contractors, such as Comstock, bave packed up and gone bome. A joint-venture system-bousing manufacturer, Tarmac-Nass, has ceased operations. And one or two under-capitalised, or poorly managed, local companies have gone to the wall.

But although a large number of public projects such as the Mina Sulman development, the container terminal and the Sulmaniya Medical Centre have been completed, work on power, water and sewerage projects will continue for years. Government spending was strictly controlled in the 1978-79 bndget, but Mr. Ibrahim Abdel-Karim, the Minister of Finance, has declared bis intention of re-activating the economy with the allocation of $1.3bn to social, industrial and infrastructure projects over the next two years.

This sum includes the $120m expansion for Alba, Babrain's aluminium smelter. Incremental capacity will boost Alba's metal output to 170,000 tonnes per year by 1982, making the best use of the available plant at the most economic cost.

Ewbank and Partners of the UK bave been appointed to manage the power station side of the project, with contracts for the gas-turbine generators going to John Brown Engineering of Clydebank. An American company, Kaiser Engineers, bas won the management contract for the potroom construction, and the rest of the work is now at the tendering stage. The Bahrain Government has directed Alba to parcel it out in as many small contracts as possible, to allow local companies to eompete.

Joint venture

Just as this industrial project comes to an end, the $350m petro-chemical plant, to be established as a joint venture between Bahrain and Kuwait, is due to begin. Plans are for a twin complex to produce ammonia and methanol, using the residue gas from the liquefied petroleum gas plant completed for Banagas last month.

Main contractor for the LPG plant was Japangas Corporation, but althongh the major sub-contractor was Daelim of South Korea, site preparation and other civil work was carried out by local companies.

Another industrial project on the distant borizon is an aluminium rolling mill, envisaged as a joint venture with Saudi Arabia. The Gulf Organisation for Industrial Consulting bas just completed a feasibility study on the basis of 40,000 tonnes a yesr, bnt this, like the billion-dollar Sandi Bahrain causeway and the projected new town for 60,000 people, is in the category of "jam tomorrow."

However, the causeway is coming closer. Tender documents were finally issued on November 28, to 21 of the 22 shortlisted contracting groups. No explanation was offered for the decision not to invite Hyundai. Indeed, no explanation was called for, since the list of pre-qualified bidders was never officially published.

Only one Bahraini company is in the running, grouped with Bin Laden of Saudi Arabia, a Japanese and two German companies. But dozens more are boping for some of the spin-offs, either in road construction, building a labour camp for an estimated 5,000 temporary workers, or sub-contracts on the causeway itself.

Alternatives

Bids are due in at the end of May, but with each of the 20 contenders having the option to submit an alternative design to the all-steel bridgework proposed by Saudi-Danish consultants, the forecast period of three months for evaluation looks optimistic if work actually starts in early 1981 and construction industry pundits will be pleasantly surprised.

Work on the new town near the West Coast is scheduled to start in 1982, and to last seven or eight years. It is intended to make available plots of land, on which borrowers from the newly-established Housing Bank can build their own homes to approved designs. Together with the Government-built bouses and flats, there is provision for 15,000 new homes.

Isa Town, Bahrain's first new town which was launched in 1963, will have reached its planned development limits of 7,000 bouses for about 35,000 people by the end of 1981. And the Ministry of Housing's three-year programme to that date, representing an investment of about $260m, will have provided a total of 2,000 bomes and home loans.

An Indian company, Transcontinantal Constructions, has just completed the prestige Chamber of Commerce building, and French, British and Korean companies are involved in the five-star hotel projects (the Regency, tha Sheraton and the Diplomat). But when it eomes to low-cost bousing — which is not so low cost by European standards, at a minimum $35,000 for a bome in an apartment block—the major force is Bahrain's United Building Factories (UBF).

Although the ownership is entirely local, including a 60 per cent Governmant stake after the company faced cash-flow problems in its first year of prodnction, UBF adopted the French Camna industrialised building system, and retained a British company, Gastbaird, for the design, construction and management of the project. The connection with Castbaird, a member of the Selection Trust group, was severed in April, 1978 by mutual consent, and UBF has set up its own management team.

UBF won its first contract for 514 Government bouses at Isa town in 1977, and has been working steadily ever since. Current production of precast concrete panels is 50,000 a year, and the 1979 workload comprises about 500 houses and 300 flats, at three sites in Isa town. Work has started on another 140 flats in Muharraq, for completion in nine months.

This is still some way below the factory's designed production capacity of 2,000 housing units a year, but further substantial Government contracts are expected, and UBF also hopes to offer standard designs for borrowers from the Housing Bank.

Meanwhile, UBF is building two schools and is working on two traditional construction projects using pre-cast components. These are an $8.5m radio station and a sports stadium worth $10m. The Mubarraq Sports Stadium designed by Module Two includes grandstand and terrace accommodation for 8,000 spectators, a children's recreation centre, a 25-metre indoor swimming pool and a main sports hall seating 1,200. Other sports catered for are tennis, squash, volleyball, basketball and ten-pin bowling.

Cladding for the Sheraton Hotel has been manufactured at UBF and the factory has also provided wall panels for five fire stations constructed by the Cypriot company Zachariades.

Strict quality control of materials results in a low rejection rate of the precast concrete panels and, despite the difficulties of curing concrete in the Gulf climate, the manager elaims that UBF sets a higher standard than is usual in Europe.

A local company making concrete blocks, components and asphalt, Haji Hassan Bin Ali, is working to full capacity but the National Import and Export Company, which brings in 99 per cent of the island's cement, reports a 25 per cent drop in imports against 1978.

A number of new projects have been announced for the 1980s, including the nucleus of a Gulf university, a $40m tower block for the Sulmaniya Medical Centre and, possibly, the long-awaited Cultural Centre. More important perhaps for local contractors is the "bread and butter spending" on schools, roads, drainage and other services, which is expected to remain at a high level for some time to come.

Mary Frings

Uranium: a lawyers' field day

هكذا من الأصل

BY PAUL CHEESERIGHT

THERE IS so much litigation going on in the international uranium industry that U.S. producers are alleged to be spending more on lawyers than on exploration. More than 60 producing and consuming companies are involved around the world. The liabilities could run into billions of dollars.

Optimistically, the law suits could be finished by the end of the 1980s, but the effects of them will be felt at least until AD 2000. Already there have been diplomatic repercussions.

At the centre of the growing edifice of litigation is Westinghouse Electric, the U.S. nuclear power plant manufacturer and powerful middleman in the international uranium market. In September, 1975 the group pleaded "commercial impracticability" as a reason for not supplying U.S. and other utilities with 80m lb of uranium, 65m lb of which it did not have in any case.

Between 1966 and 1974 the group had been offering supplies of uranium as an inducement to utilities to buy its power plants. What it had not been doing was fully covering its obligations. During this period uranium prices were $6-8 a pound, but by May 1975, they had risen to $35 a pound.

The U.S. meanwhile had been cut off from the rest of the world by an official embargo on uranium imports. This embargo was only lifted in 1977. The embargo, at least until uranium prices started rising in 1973, was intended to protect the viability of the domestic industry.

Deprived of the world's largest uranium market, producers in Australia, France, Canada and South Africa formed a club which entered into what were called "informal marketing arrangements." It worked between 1972 and 1975, when it became irrelevant to market conditions. The club is now known among the lawyers as "the cartel."

The relationship between Westinghouse's short position in uranium and the existence of the cartel is at the heart of the interlocking law suits overshadowing the whole industry. This litigation falls into three series.

The first involves the reaction of the utilities—27 in all from the U.S. and Sweden—which claimed that Westinghouse had an unconditional obligation to deliver the contracted supplies of uranium. The second involves the Westinghouse defence, which turned into a legal counter-attack against both U.S. uranium producers and international companies in the "cartel." The third involves cases which have sprung up because of "cartel," notably related to Gulf Oil.

Settlements

Eventually, 17 law suits were brought by utilities against Westinghouse in a Richmond, Virginia court. The judge urged settlements out of court. The process of negotiating started in 1977 and 14 cases have been firmly or tentatively settled.

The settlements have usually involved cash payments, agreements on uranium supply, the provision of services and equipment at below normal rates and, in some cases, the transfer of rights to certain uranium properties. They have covered more than two-thirds of the uranium supplies claimed by the utilities.

But Westinghouse failed to convince the Richmond court that commercial impracticability or *force majeure* should excuse it from performing its contractual obligations. On the other hand, tha court in late 1978 also said the utilities were not entitled to their full claims for relief.

The Westinghouse plea of commercial impracticability carried with it the idea that unforeseen circumstances prevented it from meeting its obligations. These circumstances were, in effect, the activities of the "cartel." Thus the group, seeking compensation from what it was losing through the Richmond court, staged its counter-attack in Chicago.

In late 1976 it filed an anti-trust action, demanding punitive damages, charging that 17 U.S. uranium producers and 12 foreign producers had conspired to fix prices and withhold supplies from the market except at high prices. Seven Rio Tinto-Zinc group companies are caught up in the action. The substantive case is scheduled for trial in 1981, but there was a pre-trial hearing on January 16.

The position has been made more complicated by the fact that a group of foreign producers (RTZ companies in Australia, Canada and the UK, Anglo American and Nuclear Fuels of South Africa, Pancontinental and Queensland Mines of Australia), supported by their Governments, refuse to accept the jurisdiction of the Chicago court.

A year ago tha Chicago court found them in default. Legal argument is now centred on whether they should be called to pay damages because of this, before the substantive trial is heard. The case is now in the appeal stage and a judgment is awaited.

But the producers have been enjoined by the court not to move assets out of the U.S. without giving Westinghouse 20 days' notice. And Westinghouse is reported to have engaged teams of lawyers to identify the U.S. assets of these defendants.

In the meantime another case has been merged into Westinghouse's Chicago action. In November, 1977, the Tennessee Valley Authority, which had been at odds with Westinghouse over supplies, brought an action against three U.S. and 10 foreign producers.

Again it was an anti-trust suit citing the "cartel," but it sucked in more international companies: Uranerz Canada, a subsidiary of a West German group, and Uranex of France.

But other actions were already proliferating within the U.S.—and this is the third series of cases. Gulf Oil is at the centre of them. The group had been the subject of a federal grand jury anti-trust investigation and at the end of 1978 had pleaded *nolo contendere*—the case was settled out of court but Gulf did not admit guilt. It paid $40,000 on the basis that this would be easier and cheaper than fighting a court action.

Yet Gulf's links with tha "cartel" through Gulf Minerals Canada led to actions involving United Nuclear Ranchers Exploration and HNG Oil, Reserve Oil and Sohio Petroleum, and Exxon Nuclear.

Package deals

Gulf, through its General Atomic joint venture with a Shell unit, is engaged in the power plant business and like Westinghouse had been offering uranium supplies as part of power station packages.

The companies with which it is in litigation are uranium suppliers, and their arguments have been broadly the same. Because Gulf has been involved in the "cartel" and therefore knew that prices would rise, they should be excused from meeting their obligations to supply General Atomic.

Tha Gulf-United Nuclear case has now moved to the New Mexico Supreme Court, without a direct hearing on the "cartel" issue. It has been mada the more complex by a difference between the state and federal courts about whether rights of arbitration between tha contesting parties exist. The dispute with Ranchers and HNG has been settled out of court. The other cases await trial.

DEFENDANTS IN WESTINGHOUSE'S CARTEL LITIGATION IN CHICAGO

FROM THE U.S.:
Anaconda
Atlas
Denison Mines (U.S.)
Englehard Minerals and Chemicals
Federal Resources
Getty Oil
Gulf Oil
Homestake Mining
Kerr-McGee
Phelps Dodge
Pioneer Nuclear
Reserve Oil and Minerals
Rio Algom Corporation
Rio Tinto-Zinc of America
United Nuclear
Utah International
Western Nuclear

FROM AUSTRALIA:
Conzinc Riotinto
Mary Kathleen Uranium
Pancontinental Mining
Queensland Mines

FROM CANADA:
Denison Mines
Gulf Minerals Canada
Noranda Mines
Rio Algom

FROM SOUTH AFRICA:
Anglo American
Nuclear Fuels

FROM UK:
Rio Tinto-Zinc
RTZ Services

In short, the arguments about the "cartel"—whether it did push prices up and whether its actions could have had any effect in the U.S., protected by the import embargo—remain to be tested. None of the plethora of cases has yet touched the crucial issue. Yet tha different series of actions have already had an effect on the industry.

The first and most obvious result has been the cost to Westinghouse of the settlements it has reached with utilities. The settlements have led to a cumulative pre-tax charge since 1977 of $549.3m or $286.2m after tax against concern profits. To discharge remaining obligations will cost the group, on its own reckoning, resources worth a net $287.7m between now and AD 2000.

Yet, the group's position in the uranium industry at large does not seem to have been weakened. Industry executives suggest that, on the contrary, it has been strengthened because the duration of the settlements it has reached with the utilities ties them to it for years to come.

Second, although producers and consumers have continued to trade uranium, there have been hiccoughs in the flow of payments because of Westinghouse's success in blocking the movement of funds to defaulting Chicago defendants.

Last August Westinghouse won an injunction to stop payment of $22.7m from the Tennessee Valley Authority to Rio Algom, the RTZ group's Canadian unit, for uranium supplied under a 1974 contract. The TVA, is in any case, seeking to repudiate this contract through the courts and is itself the subject of counter-claims by Rio Algom.

The two apparently separate issues have come together with the TVA asserting that the supply contract was tainted by Rio Algom's participation in the "cartel" and Rio Algom declaring that the TVA has entered a conspiracy with Westinghouse to damage it by the repudiation of the contract.

Further, there has been a hiatus in the payments due to Mary Kathleen Uranium, another RTZ group company, this time in Australia, from Commonwealth Edison, the U.S. utility. But the difficulties have been resolved.

Another case where the flow of funds from tha U.S. has been interrupted again concerns Rio Algom. A payment of $1.6m from its Atlas Alloys subsidiary has been placed in a court bank account, following the grant to Westinghouse of an injunction stopping the movements of funds.

The third effect of all the litigation is less tangible. Industry executives unconnected with the law suits feel that the reliability of supply contracts has diminished. They note that U.S. *buyers* dealing in good faith with foreign producers often have behind them political bodies—the public service commissions—which introduce an unknown factor into normal contract negotiations.

Political

The hearings into the uranium industry of the House of Representatives commerce committee's sub-committee on oversights and investigations and the inquiries of the New York State Assembly, have shown how the existence of the cartel and anti-trust law more generally have become political issues.

This uncertainty seems to have spread into the relations between US and foreign producers. Industry specialists have detected some anxiety on the part of U.S. groups, especially oil majors, about becoming involved in joint ventures with foreign defendants at the Chicago litigation.

Such unease, however, is likely to pass away gradually. During the past two years industry tempers over the Westinghouse affair have cooled, especially as there is no longer the same pressure to buy uranium: the nuclear reactor building programme has slowed appreciably since the mid-1970s. The litigation is something which rumbles in the background.

But the international diplomatic effect of the litigation will be more lasting. Resentment about U.S. attempts to extend its anti-trust jurisdiction outside its own borders has grown. The "cartel" did not after all operate in the U.S. and it was supported at the time by governments.

Westinghouse's Chicago action during the last year or two has brought the governments of the U.K., Australia, Canada and France springing to the defence of their national companies. They have submitted documents urging the court not to impose damage judgments on the defaulting defendants without hearing the main trial first. They have deprived the court of documents needed for the main trial.

The case has acted as a stimulus in the strengthening of national barriers against U.S. anti-trust investigations and judgments. Canada, Australia and the U.K. have all in recent years taken measures either to prevent the movement of documents and witnesses to the U.S. or to make anti-trust judgments unenforceable in their own territories. The latest manifestation of displeasure with U.S. anti-trust policy has been the introduction in the UK of the Protection of Trading Interests Bill, expected to become law in the spring.

Letters to the Editor

Condemning Russia

From Mr. A. Fergusson, MEP for West Strathclyde

Sir,—In his report (January 17) of the European Parliament's debate on Afghanistan —"Euro-MPs bicker over censure"—your correspondent Giles Merritt says that the Parliament's attempts to take a firm stand "were marked by "ineffectual hand-wringing and political jobbery."

I do not think he can have understood the events of last Tuesday and Wednesday in Strasbourg. In contrast to his account, the Parliament finally passed by a large majority a resolution condemning Russia and invoking economic sanctions, which even the French Press noted was substantially stronger than the stand taken earlier in Brussels by the Foreign Ministers of the nine.

As one of those who spent many hours on Tuesday and Wednesday trying to find a common resolution to which all European Parties (less the French Communists) might put their names, I must assert that no hand-wringing took place, ineffectual or otherwise. The extent of the agreement, from far Right to far Left, strongly to condemn Russia and call for immediate withdrawal was itself remarkable. The desirability of maintaining their unanimity was self-evident. A rare degree of understanding between parties often at odds with one another was apparent in those negotiations—and it seemed to be worth spending all the time we could in working out a common text: a process which your correspondent chooses to call "horse-trading."

The attempt, however, though maintained even until the debate was over, proved fruitless. The Left, regarding the preservation of detente as their top priority, could not bring themselves to call either for undefined economic sanctions against Russia or reconsideration of the Olympic Games' site. Thus we agreed to differ, and the British Conservatives, tha Christian Democratic parties and the European Liberals in due course combined to support and carry, the resolution which embodied a "shopping list" of economic measures for Foreign Ministers to put into effect.

It is true that this resolution was passed in tha wake of an unedifying spectacle in which (aided by the break-down of *the electronic* voting system) various extremist factions, and those like the Gaullists who are opposed to the Parliament's meddling in international affairs, did their best to reduce the Assembly to chaos. To me this is a measure of the importance such elements accord to the Parliamant — and no one could say the spectacle was boring. I suspect that whenever two tidal waves of highly charged political feeling crash against one another in a multilingual, multi-Party Parliament which does not have *tha tradition* of discipline of, say, the House of Commons, there will always be a lot of froth and foam about.

The fact remains that the Parliament roundly expressed its anger and determination on behalf of most Europeans in a way no one else has; and that it has once again (as with the Budget) given a clear lead to the Council of Ministers in demanding measures from which collectively those Ministers have chosen to shrink.

To dismiss this as the result of *political* jobbery—*which* does not mean what your correspondent thinks it means—is a pity.

Adam Fergusson.
Ladyburn, Maybole, Ayrshire.

Inflation accounting

From Mr. J. Wooller,

Sir,—In answer to Mr. Rayman's question (January 16) "Is inflation accounting an academic confidence trick?" I would suggest that he should look elsewhere for the guilty party. While most academics would argue in favour of inflation accounting, it is doubtful whether the big push is coming from that direction.

I believe that the accountancy profession, led by the chartered accountants, is conscious of a need to be seen to be doing something on inflation accounting. There is a feeling that if the profession does not do something, then the Government will itself step in with its own "recommendations." This would, in the eyes of many professional accountants, allow the Government to get its toe in the door and that could be dangerous. The chaps running the large audit firms receive remuneration far in excess of what they could command in industry. Who can blame them for not wanting to keep the status quo?

If the articles on inflation accounting in the financial press are typical then there are not too many academics who support exposure draft 24 proposals. Professor John Grinyer has shown quite clearly that use of ED 24 can be positively misleading and that historic cost accounting often gives more satisfactory results.

Few academics seem to argue against the methods advocated by the grand old man of accounting — Professor Will Baxter. His system may be a little more complex than ED 24 but it is logical and is much superior to any of the other systems yet advocated. Were industrial organisations allowed to choose between tax based on the HCA system or on the Baxter system, I am confident that the majority would quickly learn to master the Baxter system.

Jeff Wooller,
504 Queen's Quay,
58 Upper Thames Street, EC4.

Pressures on New Zealand

From the High Commissioner of New Zealand

Sir,—It is gratifying that the Financial Times should have seen fit to devote its second leader on January 18 to the economic pressures affecting New Zealand. These are difficult enough and too easily lost sight of behind avents of more immediate or global importance. One wishes, however, that your treatment of tha subject might have been better balanced and even, dare I say it, more accurate.

New Zealand has had more than its share of economic difficulties during the 1970s and some of these, notably a high rate of inflation and a continuing balance of payments deficit, persist. Contrary, however, to the implication in your leader that these have come about through Government neglect they are areas on which remedial attention is being constantly focused. To talk of a "rapid and unchecked economic decline" is frankly nonsense.

Our terms of trade did fall by 40 per cent in the two years *following the 1973-74 leap in oil* prices. This forced a sizeable adjustment on the New Zealand economy—an adjustment that lowered per capita New Zealand incomes in relation to those of other countries very substantially. What your leader failed to point out is that New Zealand has undergone a considerable adjustment and that the level of economic activity has been stabilised, albeit at a level that allows only slow real growth. The numbers of unemployed rose rapidly up to 1978 but have since stabilised at about 2.5 per cent—not the 6.2 per cent you mentioned. The current account deficit in the balance of payments has been reduced from around 14 per cent of GDP in 1975 to around 4 per cent at present. Terms of trade have also recovered significantly from the trough of 1975-76, although the current world economic outlook and recent oil price rises will probably reverse this trend.

Referring to the impact on New Zealand of increased oil prices you neglected to mention that Government decisions recently taken will halve the country's dependence on imported liquid fuels within a few years and will also generate significant new export earnings. The basis for this development will be New Zealand's natural gas resource which is not small, as you state, but large by world standards. Incidentally our coal reserves, also described as small, are of the order of 3bn tonnes.

These resources, together with yet untapped hydro-generating capacity and huge fast-growing forests provide the basis for an optimistic view of New Zealand's economic future, even if the short term view is clouded by the prospect of further international recession and difficulties in marketing some of New Zealand's agricultural products, particularly butter. (Not, incidentally, lamb or wool which at present are traded freely in almost every country in the world, though the future introduction of an EEC sheepmeat regulation could require one to qualify that.)

It is completely misleading to speak of "a disastrous erosion of support" for New Zealand's present National Government. The Christchurch Central by-election which you quoted took place some six months ago. On the other hand, the state of the Government's popularity as reflected in the most recent public opinion polls is slightly ahead of that of the Opposition, while tha level of personal support polled by the Prime Minister is just twice that voiced for the Leader of the Opposition.

Mr. Muldoon has, for the last ten years, established the practice of addressing the local Rotary Club at the small seaside town of Orewa where he customarily takes a summer holiday, and giving them some personal reflections on factors affecting New Zealand's future. The good Rotarians of Orewa would, I am sure, be flattered to learn that that informal occasion was styled "A state of the nation address" by so famous a journal as the Financial Times. Tha fact is, however, that Mr. Muldoon, as Prime Minister, gives many speeches on every subject under the political sun. His views and those of the New Zealand Government on New Zealand's domestic economic problems, and the policies required to deal with them, are not hard to find. The occasion of the address at Orewa was one in which the Prime Minister could reasonably choose to focus attention on certain aspects of *New Zealand society* and the impact on it of world events, without suggesting that other domestic factors were unimportant. A leading article in the Financial Times devoted to the New Zealand economic situation is, however, a very much more rare occasion and one in which it would therefore seem all the more important to convey to your international readers a balanced picture of an economy still beset by a number of serious problems but with human, social and economic resources that justify taking an optimistic view of its future.

L. W. Gandar,
New Zealand High Commission,
New Zealand House,
Haymarket, SW1.

Future of leasing

From the Managing Director, First Dallas Leasing

Sir,—The Lex column review (January 15) of export leasing implied that reform (or the ending of) first year allowances for financial lessors was long overdue.

On the basis of experience of tax-based leasing in a number of countries, including Canada, Australia, South Africa and the United States, I have reached the conclusion that the losers in reforms which restrict such lessors are lessees.

The straightforward rules of the 1971 Finance Act have engendered a highly competitive business under which lessors make reasonable returns (equivalent to yields on lending) and tax benefits are passed to lessees in the form of reduced rentals. Financial lease rentals currently (on average) contain interest at roughly half lending rates—which is what you would expect where half a lessor's funds cost him nothing. Lessors used to make higher returns (though not unduly high) but competitive pressures have eliminated these for the last two or three years.

If tax benefits were unreservedly restricted to operational lessors, a whole group of lessees would lose a valuable option and be deprived of an investment incentive which, in many cases, they cannot obtain by buying themselves. Lessees are frequently new companies or projects which do not have capital or profit record to benefit from tax incentives and the removal of financial lessors *might significantly adversely* affect such new investment. Operational leases also play an invaluable role, but only for users who want shorter terms at higher costs and less responsibility for equipment.

The Revenue's rules for export leasing very sensibly exempt operational lessors from their equally sensible ban on 100 per cent allowances for foreign to foreign leasing. To exempt them they needed to define them. Unlike the Lex columnist, I see no reason to believe that this rule presages any other developments.

The present leasing system has survived nine years with just a few corrections to get rid of abuses. I see no reason for a major change before the expected general reform of company tax takes place—and, even then, no reason why any new system of depreciation on incentives should exclude financial lessors.

John B. R. Sheldon.
16, St. Helen's Place, EC3.

Today's Events

GENERAL

UK: Sir Keith Joseph, Industry Secretary, speaks at Press Club lunch, London.

Special Trades Union Congress conference on economic strategy and resistance to the proposed Employment Bill, London.

First formal meeting of the Commission of Inquiry into the constitution of the Labour Party, House of Commons.

Final day of Financial Times conference on the 1980 Euromarkets, London.

Mr. Denis Healey, Shadow Chancellor, addresses General and Municipal Workers' Union conference, London.

General Council of British Shipping statement on prospects *for British shiping in 1980.*

British Overseas Trade Board conference on trade associations and exporting, London.

Sir Peter Gadesden, Lord Mayor of London, lunches with Glovers' Company, Cutlers' Hall, EC4.

BP tanker drivers' delegate conference.

Overseas: EEC Agriculture Ministers meet in Brussels.

One-day national strike in tha Irish Republic in support of PAYE reform.

Mr. Li Qiang, Chinese Minister of Foreign Trade, in Japan to discuss bilateral trade (until *January 30*).

PARLIAMENTARY BUSINESS

House of Commons: Competition Bill, remaining stages. Motion on the European Community Documents on European Court of Justice.

House of Lords: Reserve Forces Bill (Consolidation measure), committee. Papua New Guinea, Western Samoa and Nauru (Miscellaneous Provisions) Bill, third reading. Motions to approve Southern Rhodesia (Legal Proceedings and Public Liabilities) Order, 1979; Dangerous Substances and Preparations (Safety) Regulations, 1980; Child Benefit and Social Security (*Fixing* and Adjustment of Rates) Amendment Regulations, 1980.

OFFICIAL STATISTICS

Cyclical indicators for the UK economy (December). Unemployment (January—provisional). Unfilled vacancies (January—provisional).

COMPANY RESULTS

Final dividends: Ashdown Investment Trust. Bootham Engineers. Lincroft Kilgour Group. **Interim dividends:** Amber Day Holdings. Jones Stroud (Holdings). McKay Securities. MFI Furniture Group. Benjamin Priest and Sons Holdings. Scottish English and European Textiles. **Interim figures:** D. F. Bevan Holdings. F. Wrighton and Sons Associated *Companies.* Zetters Group.

Alexanders hit by MLR rises

THE RISES in MLR during 1979 caused Alexanders Discount Company, discount house, to incurr a loss for the year of £250,000, after rebate and tax and transfers from contingency reserves, compared with profits of £200,000 previously.

The fall in MLR early in the year enabled the company to make some profit, but the increases in June and November resulted in heavy depreciation and trading losses.

These losses have been met by a reduction in both published and inner reserves. After a transfer of £1m, general reserve stands at £4m (£5m).

In view of the cyclical nature of the company's business and the large retentions of previous years, the dividend total is held at 16.001p net per £1 share, with a final of 11.501p.

Profits carried forward were £421,000, against £1.46m a year earlier.

See Lex

Director quits B and Q (Retail)

Mr. Roger Heminway has resigned as a director of B and Q (Retail), the D-I-Y supermarkets group which came to the market eight months ago. His departure was described as "amicable" by Mr. David Quayle, chairman.

Mr. Heminway said he wanted to devote himself to other business interests, notably property development. "I was beginning to lose interest now that B and Q is now just another multiple retail outfit, and felt obliged to resign," he said.

Mr. Heminway, 43, joined the company in 1974. He was originally responsible for B and Q's Kent operations but lately concentrated on site acquisition in south-east England.

At B and Q, Mr. Heminway earned £15,950 a year.

At the time of the flotation he held 1.98m shares but in the past month he has sold about 100,000. Mr. Heminway said he intended to keep a fair number of shares but would probably sell the balance "at the right time."

United Guarantee pays 5p

With turnover ahead at £6m, compared with £4.1m, taxable surplus of United Guarantee (Holdings) increased from £316,780 to a record £399,810 for the year to September 30, 1979. The profit was struck this time after charging termination payments of £30,000 to former directors.

Following the interim dividend of 0.232p per 5p share, a final of 0.268p makes a total payment of 5p net, compared with a single 0.202p previously. Stated earnings per share rose from 2.847p to 3.936p.

First-half profits had risen from £192,540 to £307,884, but these included exceptional credits of £57,664 (nil) for premiums received in respect of new business development.

Tax took £196,578 (£168,757) and net surplus emerged up from £147,023 to £203,232.

The group is engaged in the sale of lubricants, fuel oil and heating services, and the leasing of plant and vehicles.

THOMAS VALE

In a deal worth £400,000, four executive directors of Thomas Vale and Sons, the building and civil engineering company, have acquired the capital from Claxton and Garland.

The directors who have managed the company for the past seven years have been supported by the Birmingham area office of Industrial and Commercial Finance Corporation.

BOC steps up capital spending programme

DESPITE uncertainties, results of BOC International in 1980 should show an improvement over last year, shareholders are told in the annual report.

Sir Leslie Smith, the chairman, is optimistic and says the group enters the new decade with high hopes and great confidence.

Group investment will increase this year, primarily in the U.S., where a new £70m graphite electrode plant will be built. This is the largest single investment project ever undertaken by the group.

Worldwide, industrial gases will continue to require further investment but expenditure in other areas may be limited by poor trading conditions, the chairman says.

Although the cash generated by operations continues to increase, the cost of new production and distribution capacity remains high. The UK, Australia and Brazil continue to be cash absorbers.

This year, the UK is expected to reduce its cash demands on the group but the U.S. activities will absorb resources.

At September 30 last year, net borrowings represented 42.3 per cent of total capital employed. This is a reduction compared with a year earlier and the percentage is expected to fall in 1980 and is well within financial limits that the business can support, the chairman says.

Although gearing will decline, the absolute level of borrowings will increase. The majority of the group's debt is long term and with the substantial additional facilities committed by its bankers, the group has adequate capital for its foreseeable needs this year.

The acquisition of Airco has led to the reconsideration of the group's product portfolio and to the decision to dispose of some activities to concentrate resources on those with the greatest long-term potential.

For the year ended September 30, 1979, the group reported pretax profits up from £66.5m to £72.7m on sales of £1.23bn (£1.2bn). Depreciation, including revaluation of assets on a replacement cost basis, increased to £77.3m—had it been charged on a historical cost basis, profits would have been £94.9m (£80.4m).

CCA profit is reduced to £65m after adjustments for additional depreciation, £6m, cost of sales, £15m and monetary capital, £10m. The balance-sheet on a CCA basis shows fixed assets of £866m (£808m historical) and net current assets of £208m (£203m).

Total fixed capital expenditure was £132.2m (£133.5m) with 63 per cent of investment in the gases business and a further 15 per cent in welding products and medical equipment. The main areas of investment were the UK, U.S. and Australia.

The number of people employed by the group fell from 56,200 to 48,600 with the biggest decrease in Asia where employment fell from 6,800 to 900. During this year several group businesses will be under considerable pressure and it will be more difficult to maintain a stable level of employment, the chairman says.

The sale of the ferro-alloys business and the change of Indian Oxygen, Malaysian Oxygen and Tanzania Oxygen from subsidiary to associate status account for most of the change in the employment pattern.

During the year, the group made charitable payments of £329,000 of which £78,000 was by companies in the UK. There were no political contributions.

Salary of the chairman was £62,700 (£58,750) and there was a special payment of £162,500 to a UK resident director following retirement due to ill-health.

Meeting, Lyric Theatre, Hammersmith, W, February 27 at 3 pm.

See Lex

HIGHLIGHTS

The Lex column takes a look at the paradox of the current financial position where short-term money rates are shooting up but long-term gilt-edged yields are falling. Sterling continues to get stronger but, as yesterday's DoT figures show, companies remain in serious financial deficit. On the company front Lex looks at Alexanders Discount which has been pushed into losses by the rise in interest rates over the last year. Meantime BOC is disappointed with its UK profitability and proposes in its annual report to dispose of its peripheral UK assets. Also involved in a disposal is the Gieves Group which has an interesting deal to return money to shareholders. Finally, Lex looks briefly at the latest developments in the Bowring saga. On the inside pages the interim figures from Mercantile House come in for comment.

Meggitt's year-end profits slip

PRE-TAX profits of Meggitt Holdings, the Bournemouth machine tool distributor, fell from £478,316 to £425,454 in the year ending October 31, 1979, but turnover increased from £6.2m to £8.3m.

Profit after all charges, including tax of £233,810 (£151,136) came out at £191,644 against £327,180. At the halfway stage pre-tax profits were £152,000 (£181,113).

Stated earnings per 5p share are 4.7p (7.6p), and a final dividend of 0.42p makes a total of 0.84p (0.6406p).

The company proposes to introduce a profit-sharing scheme, subject to approval being given at the annual meeting.

Mercantile House ahead and sees higher dividend

FOR THE half year ended October 31, 1979 taxable profits of Mercantile House Holdings, the money broking concern which came to the market last July, rose from £1.23m to £1.42m on turnover ahead to £9.42m, compared with £7.59m.

The directors are confident that results for the full year will be satisfactory—last year's profit was £2.6m.

The net interim dividend per 25p sharei s 4p and an 8p final 25p share is 4p and an 8p final a 12p total. This compares with the directors' forecast of not less than 10.72p, made at the time of the offer for sale.

Profits for the six months, which excluded any contribution from Woellwarth and Co., acquired last December, were subject to tax of £739,372 against £678,957, giving an attributable balance of £679,769 (£549,308).

Earnings per share are up from 11.25p to 13.03p and after dividends costing £220,000 (£128,832), the amount remaining was £459,769, compared with £420,476.

● comment

One reason for Mercantile's cautious rating is that the company did not make a profits forecast at the time of the offer-for-sale last July. In these early days, therefore, the market can be forgiven for being rather wary, given R. P. Martin's announcement of a profits fall of more than a fifth for 1979-79 and the row that has blown up between money brokers and the banks. However, against the unfavourable background of rising inflation around the world, Mercantile's first half profits are 15 per cent higher and the company i sfeeling confident enough about the immediate future to top the dividend forecast for the year. In the company's favour have been the volatile movements in interest and exchange rates. This has the effect of stimulating money broking activity—on which Mercantile earns a commission. The relaxation of UK exchange controls will also help to generate business. With three months of Woellwarth full-year profits of around £2.9m look on the cards. At this level, the fully-taxed p/e is 6.2 on average capital while the prospective yield is 11.1 per cent at 158p—unchanged but 2p lower than the issue price.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
DAVY W	1234	March 20	—	—	—
Great Northern Inv.	§4.5	March 20	3.21	6	4.5
Leda Invest. ...2nd int.	2.45	Feb. 28	2.01	3.78	3.15
Alexanders Discount	11.5	March 5	11.5	16	16
Cray Electrns. ...int.	0.57	April 11	0.57	—	1.72
Dewhurst & Partners	0.6	April 7	0.64	0.92	0.92
Meggitt Hldgs.	0.42	April 2	0.42	0.84	0.64
Mercantile Hse. ...int.	4	Feb. 26	—	¶1	10.72
Palmerston Inv. ...int.	0.6	March 3	0.6	—	1.73
Raeburn Inv.	‡4	Feb. 25	2.8	6.35	4.05
United Guarantee	0.27	—	0.2	0.5	0.2

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Corrected—excludes 0.9p in respect of Shell and Unilever dividends. § Includes special dividend of 0.6p. ¶ Total of 12p forecast.

Newman quits all Brentnall directorships

Mr. John Newman, main Board director of Brentnall Beard (Holdings), the insurance broker with large Lloyd's of London interests, has resigned all his directorships within the Brentnall Beard Group including Brentnall Beard (Holdings). He resigned last Friday.

Mr. Newman was not available for comment yesterday but the company said in a formal statement that he had resigned "pending the outcome of the proceedings against him under the Lloyd's acts."

Mr. Newman is one of six people whose conduct in connection with events which led to large losses on the Sasse underwriting syndicate is being reviewed under statutory internal proceedings at Lloyd's.

Lloyd's took the action after an investigation into the trading relationship of the Sasse syndicate, number 762, with Brentnall Beard International, a Lloyd's broking subsidiary of Brentnall Beard (Holdings).

SHARE STAKES

Elliott Group of Peterborough—Pentos has increased its holding through subsidiaries from 2.4m shares to 2,637,500 shares (20 per cent).

Amalgamated Power Engineering—On December 7 Prudential Assurance Group notified that its interest was less than 5 per cent (previously 781,580 shares) (5.7 per cent). Scottish Amicable Life Assurance Society, and its subsidiary, has reduced its interest by 100,000 shares to 636,666 (4.64 per cent).

Lloyds and Scottish outlook

CONDITIONS generally do not seem to be favourable to group business, Mr. George Duncan, chairman, of Lloyds & Scottish, tells shareholders in his annual review.

Trading environment for a major part of the group's business continues to be unhelpful, he says, and unless there is a significant reduction in interest rates, margins will remain under pressure, "until our fixed lending book has been adapted to the new conditions."

Mr. Duncan states that the group's ability to cope with difficult circumstances has been shown in the past, however, "and I am confident that it will continue to do so in spite of the considerable problems facing it."

As reported on December 14, pre-tax profits of this financing, industrial and commercial concern, finished the September 30, 1979 year at £27.8m (£25.5m) despite a lower first-half. The total dividend is increased to 5.27p (4.40692p) net per share.

Since the year-end Lloyds entered into a conditional contract for the purchase of James Talcott Factors of the U.S. and represents its first major investment in a wholly-owned subsidiary in that country.

As at balance date future capital expenditure totalled £19.1m (£4.1m), including £16.27m authorised, but which was not contracted.

On a CCA basis pre-tax profits are reduced to £19.3m after adjustments for cost of sales £0.9m, depreciation £1.3m, monetary working capital £9.2m, less gearing £3.9m.

The accounts also gives the chairman's emoluments as £42,804 against £33,177.

At December 18, 1979 Lloyds Bank, and the Royal Bank of Scotland, each held 39.16 per cent of the issued equity.

Meeting, 8/9, Chesterfield Hill, W, February 13, at noon.

Arthur Lee looking outside traditional product range

Mr. P. W. Lee, chairman of Arthur Lee and Sons, Sheffield-based steel group, says that for the longer term, he believes that there will be a continuing demand for the group's products but the growth potential for some of them will be limited.

Directors are therefore identifying special development opportunities both in and outside the traditional areas of activity.

The chairman is less pessimistic about 1980 than some forecasters but says this may not be so if the group is adversely affected by industrial disputes, particularly the present problems of the British Steel Corporation.

Trading conditions are currently depressed in some products of Lee Steel Wire but the chairman believes that a continuation of last year's improving trend can be maintained.

Improvements in quality of Lee Steel Strip products and changes to better delivery performance give hope that results of the current year will show an increase on last year, says Mr. Lee.

Although 1980 does not look encouraging for the stockholding side, it is expected that the division will maintain its record of increased profitability and turnover in the coming year. Plans for the John Shaw wire ropes business have been laid realistically and an improved result is sought.

Lee Bright Bars is facing a difficult outlook and demand is unlikely to rise in the near future. Efforts will be made to control costs and make the best use of production facilities, says Mr. Lee.

In the year ended September 30, 1979, group pre-tax profits improved from £1.89m to £1.95m on turnover of £67.45m against £63.42m. The outcome would have been significantly better without the effects of the transport and engineering strikes.

"Nevertheless it is recognised that, even without these, the underlying level of profitability needs to be considerably greater for the long term prosperity of the group," the chairman states.

Meeting, Sheffield, February 15 at 12.30 pm.

AMALGAMATED TIN

The proposed return to shareholders of Amalgamated Tin Mines of Nigeria (Holdings) of surplus funds totalling £1.17m, equivalent to 15p per share, will take the form or a repayment of capital of 9p per share, effected by a capital reduction, and two interim dividends each of 3p per share.

The first interim will be payable on or about February 19 and the second on or about April 22.

SPAIN

January 16	Price %	+ or −
Banco Bilbao	209	+4
Banco Central	226	+4
Banco Exterior	211	+2
Banco Hispano	212	+4
Banco Ind. Cat.	135	
Banco Madrid	175	
Banco Santander	246	+4
Banco Urquijo	165	
Banco Vizcaya	215	+4
Banco Zaragoza	205	
Dragados	106	+2.5
Espanola Zinc	58	
Fecsa	59	+0.5
Gal. Preciados	35.5	−2.5
Hidrola	65.7	+1.5
Iberduero	63	+0.5
Petroleos	117	−3
Petroliber	73	
Sogefisa	115	
Telefonica	67	+1.5
Union Elect.	65.2	−0.3

Williams Lea 24% higher at £0.9m after second-half fall

TAXABLE PROFITS of Williams Lea Group slipped from £511,000 to £489,000 in the second six months to September 30, 1979, but the private unquoted printing concern ended the year some 24 per cent higher at a record £912,000, compared with £735,000 previously. Turnover for the full period rose over 22 per cent to £11.1m.

Mr. D. L. Donne, the chairman, explains that business in the last quarter was less buoyant, while the group's largest subsidiary, Williams Lea and Co. failed to make any contribution to the year's result.

The disappointing result from its financial, confidential and Government printing subsidiary was due to low activity in the city market in the first half, and the run-up to the installation of computer typesetting equipment in November, 1979 after three years of research and development work.

The chairman says the current year is likely to be challenging for the group, with two major installations of plant. But the running-in costs of these additions, coupled with a decline in the national economy, make short-term prospects uncertain.

Over the four years to the end of 1980, the group will have invested £2.5m in new plant and it is now equipped with the most up-to-date plant in each of its main areas of activity, Mr. Donne states.

He adds that the long term outlook is exciting.

Adjusted for the sub-division of shares last October, stated earnings for the 1978-79 year were 152.65p (93.1p), per 5p share, while the dividend total is effectivaly lifted from 11.06p to 17p with a final of 11.47p.

Meeting, 234-248 Old Street, EC, February 11, noon.

NEW LIFE BUSINESS

Trident Life has good year

THE BUOYANT income bond market last year resulted in single premium business of Trident Life Assurance, a member of the Schlesinger Group, more than doubling in 1979 from £11.1m to £26.3m. The company sold £14.5m of income bonds last year against £1m in 1978, even though it has kept out of the very short-term sector of this market.

Sales of unit-linked bonds advanced by 16 per cent from £10.1m to £11.7m, boosted by the marketing of personalised bonds — for a single investor. These sales nearly doubled to £4m, mostly in gilt bonds. Of the normal linked-bonds, the most popular fund last year was the property fund.

Annual premium business was also buoyant in 1979 rising by 65 per cent from £3.1m to £5.2m. Mr. Alan Roberts, director and general manager, reported that the growth in this business had occurred across all sectors—pensions, savings and protection.

AMEV LIFE

A good year for new business is reported by AMEV Life Assurance, a member of the Dutch insurance conglomerate AMEV, with single premiums more than doubling from £1.35m to £3m and annual premiums tripling from £349,000 to £1.19m. Sales of personalised bonds showed strong growth to about £700,000, while the rise in annual premium business represented a surge in sales of linked savings plans.

NATIONAL EMPLOYERS LIFE

Record new business and an increase in its reversionary bonus rate for 1979 is reported by the National Employers Life. New annual premiums rose by 3 per cent to £10m, against £9.69m in 1978, while single premiums were 30 per cent higher at £3.61m (£2.79m).

The growth in annual premium business, however, came entirely from a buoyant permanent health market, with premiums advancing 30 per cent from £2.5m to £3.24m. Individual life business was slightly down at £1.3m, while pensions business declined 5 per cent to £5.46m. The growth in single premium business arose entirely from an expansion in pensions, particularly from Additional Voluntary Contribution schemes.

The company has lifted its reversionary bonus rate for 1979 on with-profit contracts by 40p to £4 per cent of the basic benefit. But it is keeping its terminal bonus rate unchanged at 50p per cent of the basic benefit for each year's premium paid.

CITY OF WESTMINSTER

The continued demand for its successful Farmland Fund enabled the City of Westminster Assurance, a member of the U.S. Sentry Insurance Company, to nearly double its single premium business. Total single premiums rose by 80 per cent from £3.1m to £5.5m, of which £4m was invested in the Farmland Fund. The company has purposely not entered the guaranteed income bond market.

Annual premium business improved by 16 per cent from £1.6m to £1.9m, of which £1.2m represented linked regular savings plans and the remainder conventional life contracts. Mr. Colin Langton, the general manager, anticipated that 1980 would be a year of growth for the company, with a number of new products being introduced.

New-look Gieves gives holders cash and shares

BY REG VAUGHAN

GIEVES GROUP, the tailor, publisher and motor dealer, is selling its James Burn Bindings subsidiary to an American group for £3.66m cash in such a way that the proceeds go directly into the bands of Gieves shareholders.

The sale of the bindery to Standex International, a UK subsidiary of Standex International Corporation of the U.S., involves the liquidation of the existing Gieves Group followed by the splitting of its assets into two companies—the new JBB and the new Gieves.

In return for these assets, new JJB and new Gieves shares will be issued direct to existing Gieves holders. Standex then proposes to make an offer to purchase the capital of the new JBB. The effect on shareholders of Gieves of the reconstruction and subsequent sale of the new JJB capital would be that the ordinary holders will each receive 60p cash per share and the 5 per cent preference and 5 per cent "B" preference holders will be bought out for 120p cash per share.

In addition the Gieves ordinary holders will receive shares in a new company which will own all the remaining assets and businesses of Gieves.

Well over 40 per cent of the Gieves ordinary capital is in the hands of the directors and their associates.

Gieves had been in talks with the U.S. company for the past 9 months and preliminary tax clearance was received in mid-October. Mr. Michael Keeling, the chairman, said yesterday that after taking advice this method of disposal was decided upon as being the only way shareholders could receive cash without being taxed twice.

Mr. Keeling felt that it was the right thing to do to give money back to shareholders.

Final tax clearance has yet been received but it is clear that the sale of the JJB shares will amount to a partial disposal for capital gains tax purposes.

The business of JBB, which contributed 50 per cent to group profits in 1978-79, is mainly in the manufacture of products used in the calendar market. Standex, a diversified manufacturing group whose common stock is quoted in New York, bas a division called Wire-O which makes products substantially similar to those manufactured by JBB.

The sale price for JJB compares with a net book value of £1.5m which represented 20 per cent of gorup net assets. In 1978-79 turnover of JBB was £4.6m and trading profit £746,000. Some 60 per cent to 70 per cent of production goes overseas and profits in the first half of 1979-80—down from £388,000 to £289,000—were hit by the strength of sterling.

Of the 1978-79 turnover, £3.5m represented wire loops of which 20 per cent went to the U.S.

Trading profits in 1978-79 attributed to the new Gieves amounted to £847,000 and for the first half of 1979-80 they come to £369,000 compared with £348,000. In the current year profits are expected to show little change.

A condition of the Standex offer is that the JBB group profits, before tax and extraordinary items in the year ended January, 1980, amount to not less than £550,000.

See Lex

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: Ambor Oay, Jones Stroud, McKay Securities, MFI Furniture, Benjamin Priest, Scottish English and European Textiles.

Finals: Ashdown Investment Trust, Bootham Engineers, Lincroft Kilgour.

FUTURE DATES

Interims—	
Allen (W. G.) (Tipton)	Jan. 24
Dyson (J. and J.)	Jan. 25
Rosgill	Jan. 29
Sylione	Jan. 30
Finals—	
Birmid Qualcast	Feb. 13
Edinburgh American Assets Trust	Jan. 23
Evode	Feb. 1
Glasgow Stockholders Trust	Feb. 15
Hill and Smith	Jan. 31
Mackinnon of Scotland	Jan. 25
Mercantile Investment Trust	Mar. 4
Olympia (Redacre)	Jan. 25

HENLYS TO BUY R. E. HAMILTON

The boards of Henlys and R. E. Hamilton and Co. announce that discussions are taking place which are expected to lead to tha acquisition by Henlys of the Hamilton sbare capital.

Hamilton is a main dealer for Ford vehicles in Northern Ireland with its head office in Belfast.

Hamilton's pre-tax profit for the year ended December 31, 1978, was £112,000 and unaudited management figures for 1979, indicate a result of about £200,000.

Henlys bas commenced negotiations with Ford Motor for the continuance of the main dealer and truck specialist dealer franchisea held by Hamilton, should the acquisition take place.

TATEGOLD VALUES DOLOI AT £259,000

Tategold Limited and Doloi Tea Holdings bava reached agreement on the terms of a cash offer to be made by Tategold to acquire all tbe 96,000 stock units of 50p each in the capital of Doloi.

The offer price will be 270p in cash for each existing stock unit of 50p and values Doloi at approximately £259,000.

The board of Doloi and its financial advisers, Cayzer Limited, consider the terms of the offer to be fair and reasonable and will recommend acceptance to stockholders.

The directors of Doloi do not hold beneficially any stock units, but units held by them as nominees on behalf of Finlay Overseas Holdings (a wholly owned subsidiary of James Finlay and Company) are included in a total of 65,562 stock units (68.3 per cent) in respect of which irrevocable undertakings to accept the offer have been given.

J. Halstead to buy Conway Trailers assets

James Halstead (Holdings) has reached agreement with the receiver of Conway Trailers for the purchase of stock, plant, machinery and motor vehicles, together with post-receivership current assets.

Conway is engagad in the manufacture, distribution and sale of Conway trailer tents. Tha company is trading profitably, but was put into receivership as it was unable to meet the liabilities of a cross guarantee of its parent company.

A separate agreement bas also been reached with the receiver of Ibis Kendal Holdings the parent of Conway for the purchase of 50 per cent of the capital of Kingway Sarl (France) and the whole of Ibis Europe BV (Holland) and Conway Trailers U.S.A. Inc. (Elkhart, Indiana).

The total consideration is £501,000 in cash payable on completion, which is estimated to be January 31 this year.

Owing to the appointment of a receiver, tha latest audited figures available are for the year ended July 2, 1978, which show a pre-tax profit for Conway (after a management charge by Ibis of £60,000) of £124,000 on a turnover of £1.558m.

The current level of activity is however significantly ahead of these figures.

The benefits which are expected to accrue to Halstead should be further profitabla growth resulting from a larger involvement in the leisure industry, the directors say.

YELVERTON

Yelverton Investments has completed the acquisition of Portdrake for £29,000, satisfied by the issue at par of 580,000 ordinary 5p shares.

Portdrake is an investment company with interests in the energy and mineral sectors; its assets consist entirely of quoted investments with a middle market value on completion of £25,125, and £4,063 cash. The vendors have warranted that the net asset value is not less than £29,000.

Yelverton has warranted that the net asset valua of its group (excluding Portdrake) will be not less than £40,000 at October 31, 1980.

Cray Electronics share quotation suspended

Shares of Cray Electronics were suspended yesterday because discussions are at an advanced stage for the transfer of ownership of its parent company, Capital for Industry.

Capital for Industry, a member of the Grindlays Bank group, owns 71 per cent of Cray, which last year sold three-quarters of its J. and S. Pumps subsidiary to VMF-Stork of Holland for £500,000 cash.

Cray's shares were suspended at 35p each at its own request. Cray is the only quoted member of Capital, which has six subsidiaries.

Reflecting the impact of the recent engineering strike, pre-tax profits of Cray dropped from £255,000 to £224,000 in the six months to October 31, 1979.

Turnover for the period rose from £5.2m to £5.8m and despite the uncertainty of the economic situation, the order book continues to be healthy.

Stated earnings per 10p share slipped from 1.23p to 1.09p, but the interim dividend is kept at 0.57p net—last year's total was 1.72p on profits, before tax, of £730,000.

Tax for the six months took £116,000 (£132,600), but including an extraordinary credit of £417,000 this tima, arising on the sale of the interest in J. and S. Pumps, attributabla aurplus jumped from £122,400 to £525,000.

DAWNAY DAY APPROVAL

The Secretary of State for Trade has approved the change of control of Target Life Assurance Company (and its wholly owned subsidiary Target Annuities), part of the Dawnay Day Group.

This change involves Rothschild Investment Trust and its managing director, Orient and General Investments (as subsidiary of RIT), Hume Investment Trust, St. Swithin's Lane Investments and Reliance Group, becoming controllers of Target Life.

The offer for Dawnay Day has become unconditional and the proposal relating to the Dawnay convertible stock is effective. At January 18, acceptance had been received in respect of 94 per cent of the Dawnay ordinary shares. The offer will remain open and the balance will be compulsorily acquired in due course.

BORTHWICK BUYS 17 JAMES BLUE SHOPS

Thomas Borthwick and Sons and James Blue have reached agreement, subject to contract, that Borthwicks will purchase for cash the capital of the James Blue Group comprising James Blue and Kelday Butchers.

Tha James Blue Gronp operates 17 retail butchers shops, mainly in the North-West London area.

Tha purchase is expected to be completed early next month when further details will be announced.

It is intended that the operation will be integrated with Matthews Butchers, a wholly-owned subsidiary of Borthwicks.

COWIE/EWER

Motor dealer T. Cowie is now a whisker away from baving to make a bid for George Ewer, the motor coach operator in which it has lifted its stake to 29.996 per cent, just balow the level at which the Takeover Code requires a formal offer.

Cowie, which is based in Sunderland, first bought over a quarter of the Ewer shares last August from Vivier Investments for £1.84m.

Commenting on the latest acquisition of a further 400,000 shares, Mr. Andrew Cowie, a director, said: "It's an investment and likaly to stay that wey."

WATMOUGHS

Mr. D. R. Hobbs has disposed of his non-beneficial interest in 668,529 ordinary (13.37 par cent) previously reported on January 19, as being acquired. This fellowa his resignation as a trustee of family trusts.

Mr. J. E. Watmough (as trustee) has acquired a non-beneficial interest in 129,344 ordinary (2.59 per cent) and Mr. A. D. Baxter (as trustee) bas acquired a non-beneficial interest in 200,495 ordinary (4.01 per cent).

SHARE STAKES

Waring and Gillow (Holdings)—Mrs. V. F. Pomerance, wife of B. Pomerance, director, bas sold 35,000 shares at 116p on January 10.

London and Scottish Marine Oil—Mr. R. E. Fox, who recently joined the Board, holds 218,500 ordinary.

Rustenburg Platinum Holdings Limited

(Incorporated in the Republic of South Africa)

Chairman's Review by Sir Albert Robinson

The thirty-third annual general meeting of the company will be held in the board room, Consolidated Building, corner of Fox and Harrison Streets, Johannesburg, at 09h30, on Wednesday, 30 January 1980.

The financial results for the year under review far surpassed those of any previous year in the company's history. Revenue from the sale of metals was 63% higher than that of the 1978 financial year, partly as a result of larger sales volumes, but primarily because of substantially increased prices. In consequence, despite increasing production costs, group profits before tax increased to R130 million, which may be contrasted with the figures of R4,5 million and R34,3 million earned in the 1977 and 1978 financial years respectively.

Dividends declared during the year absorbed R25 million, a significant increase on the previous year's distribution but no more than about one-third of after-tax profits of R78,7 million. The retained profits of R53,7 million – together with other sources of funds, principally provisions (R26,7 million) and a reduction of net working capital (R16,6 million) – were applied in the financing of capital expenditure (R47,2 million) and the repayment of fixed-term loans (R48,5 million). The conservative dividend payment was in accordance with the stated financial policy of the group, which is to conserve and strengthen its financial resources both to meet future commitments and to be better able to withstand adverse changes in the market for its products should these occur. In view of the magnitude of these commitments and the profoundly unsettled state of the world economy, your directors consider it necessary to maintain a policy of modest dividend payments.

Market Conditions

The Platinum Price

In little more than two years the Free Market price of platinum soared from $150 to $620 per ounce, which it briefly maintained at the onset of the current financial year. It has since risen further and in early January of this year reached levels in excess of $900.

The initial impetus to this extraordinary movement was provided by a reduction in the flow of Russian metal to the West in late 1977, coupled with the reduction of South African output in response to poor demand and depressed prices. Further momentum was provided by the general recovery of the world economy, which resulted in an improved demand, and by the rapidly growing requirements of the US automobile industry in consequence of the anti-pollution measures that had been instituted by the authorities of that country.

Latterly, however, the Free Market for platinum has become subject to the immense speculative forces that have been engendered by the unstable political, economic and monetary conditions prevailing world-wide. The worsening oil situation, the concomitant transfer of wealth on an unprecedented scale to the Opec countries, the persistent tides of global inflation, the continuing erosion of major international currencies and, more recently, the Iranian revolution and the Russian involvement in Afghanistan, have induced a wave of abnormal speculation for precious metals. The price on the Free Market has been driven to levels that are quite unjustifiable in terms of normal market considerations.

The past three years have witnessed a pronounced improvement in the fortunes of your company and of the South African platinum mining industry as a whole. The strong demand for platinum during this period has enabled us to reinstate previous levels of production, to institute plans for expanding capacity against firm contracts and, above all, to raise our published price progressively from $165 in 1976 to its current level of $420 per ounce.

Automobile Industry

During the year there was a material increase in the consumption of platinum by the automobile industries of the USA and Japan, with the result that these industries, taken together, now rank with the Japanese jewellery industry as the largest consumers of the metal. The group's sales of platinum to the automobile industry in the 1979 financial year were the highest ever achieved. Our sales for the first half of the current year, however, will be lower than those for the latter half of the past year, the principal cause of this decline being the lower demand for new automobiles in the United States.

The automobile industry's demand for platinum naturally depends upon the number of vehicles it produces and the average loading of platinum per vehicle. The average loading in turn depends upon the emission control standards operative at a given time and on the size and type of vehicle produced. Both the decline in automobile production and the swing towards manufacture of smaller vehicles have thus reduced the automobile industry's platinum requirements for the time being. However, with the tightening of emission control requirements in the USA in model year 1981, which starts in mid-1980, there will be an increase in the platinum loading per vehicle and this, subject to the duration and severity of the US recession, should restore the automobile industry's demand to previous levels.

On balance, I do not consider that the quantity of metal that the automobile industry will require during your company's present financial year will equal that for last year. Revenue from this source, however, will probably be of a similar order to the figure for last year because of the higher price at which sales will be effected. As regards the longer term, there is every reason to suppose that the industry's usage of platinum will increase. The impact of this increase on the demand for newly-mined platinum is difficult to assess as that will depend, inter alia, upon the quantum of metal that may be recovered from scrapped automobiles. The effect of such recycled material on the demand for newly-mined metal could be felt by the mid-1980's and consequently your company and its associates are continuing their efforts to stimulate additional demand for platinum by that time.

I would draw attention to the fact that, in line with the policy that I stated last year, the new contract for the supply of platinum group metals to the automobile industry, which was negotiated by your company during the year under review, incorporates pricing provisions and guarantees which justify committing the necessary capital expenditure.

Jewellery

The Japanese jewellery trade has long been a major consumer of platinum.

Consequently, it is disturbing to note that during the past year the steeply rising and rapidly fluctuating course of the Free Market price has been accompanied by a decline in Japanese usage of platinum for jewellery purposes.

I should like to explain for the benefit of shareholders that the Japanese jewellery trade purchases the major portion of its platinum requirements at Free Market related prices and that the prices of its end-products are set accordingly. Its consumption of platinum and gold is influenced by the Free Market price of platinum and the gold price and also by the degree of variability of these prices. Marked fluctuations in these prices tend to discourage purchases of the metals and encourage the running down of stocks, as in such circumstances the trade courts the risk of substantial losses. Also, the trade is deterred from buying platinum when the differential between the Free Market price of platinum and the gold price becomes excessive. It is therefore a matter of concern that the Free Market price of platinum continues to fluctuate widely at very high levels.

With an eye to the future, your company has continued to promote the usage of platinum for jewellery purposes in Japan, with the welcome support and collaboration of the Japanese jewellery trade. Furthermore, the campaigns to promote platinum in jewellery in the United Kingdom and West Germany are being pursued vigorously and have attracted a response that gives us hope that in due course our efforts will bring about an increase in demand for the metal. I emphasised in my review for 1977 that it was in the longer-term interest of your company that we continue our endeavours in this direction. This is still our view and accordingly we plan to spend about R6,5 million on promotional campaigns during the calendar year 1980.

Base Metals

Some 50% of the nickel and copper content of the ore produced by the group is sold in the form of a nickel-copper matte to Amax Nickel Inc., in terms of a contract entered into some years ago. This arrangement stems from the fact that the base metal treatment capacity of Matthey Rustenburg Refiners is less than the mines' output of these metals. In September last year Amax declared force majeure as a result of a strike whose likely duration cannot be assessed at this stage and in consequence our deliveries of nickel-copper matte to Amax have been curtailed. Our efforts to find alternative outlets for disposing of this matte have not yet met with success and, even if we do succeed, group revenue from nickel and copper will be materially affected during this financial year. However, revenue from platinum group metals will not be jeopardised.

The imbalance between the base metal capacities of the mines and of Matthey Rustenburg Refiners should be corrected by the end of 1981, when the latter's new nickel-copper refinery, now under construction at an estimated cost of R56 million, is scheduled to reach full production. It is expected that this plant will produce refined nickel and copper at a substantially lower cost than is the case at present.

Outlook for the Current Financial Year

To date, sales of most of the company's metals are running ahead of last year's levels and, in most instances, are being effected at appreciably higher prices. The outlook for the remainder of the period is uncertain, however, for the reasons I have outlined in this review. Present indications are that the increased producer price for platinum of $420, instituted along with higher prices for certain other platinum group metals last December, can be maintained even if the Free Market price of the metal experiences a downward correction. On balance, therefore, there are grounds for expecting group profits for the current financial year to be higher than those for the preceding year.

Possible Future Mining Operations

As reported in the latest Directors' Review, your company is continuing its exploration of various portions of the Bushveld Igneous Complex. This work is being carried out as part of an on-going evaluation of possible future mining areas. While this process of evaluation embraces the whole spectrum of platinum-bearing ores, particular emphasis is being placed on the so-called Merensky Platreef of the Potgietersrust district, which was originally mined in the 1920's. Prospecting results to date indicate that this area has the potential for supporting a major new platinum/nickel/copper mine.

The indications are that this wide orebody might be exploitable by open-cast methods at working costs that may well be substantially lower than those of conventional underground mining. However, much work remains to be done in evaluating this deposit, particularly since its metallurgical characteristics differ from those of our current operations. Rustenburg is indeed fortunate to have control of this highly promising prospect.

Employment Policy and Practice

Southern Africa stands on the threshhold of major political and social progress. If the realisation of the region's great potential is not to be stultified by the acute shortage of skilled manpower that is now evident, radical new departures in employment practices, such as those envisaged in the reports of the Wiehahn and Riekert Commissions, will have to be implemented. Your company's policy, in common with that of other members of the mining industry, is to improve job opportunities for all of its employees, irrespective of race or colour, by training and development programmes that will enable them to fulfil their potential. To this end, we are working towards the creation of a uniform scale of salaries based on occupation categories in terms of which employees, regardless of race, will receive equal pay for work of equal value. In pursuing this policy we shall continue to collaborate with the Council of Mining Unions and the Officials' Associations and also with the Governments of Bophuthatswana and South Africa in order to effect meaningful changes in an orderly fashion.

The South African Government is to be commended for the initiative it is showing in paving the way for the changes that are essential to the continued prosperity and progress of all the peoples of the Southern African region. While it would be idle to pretend that these changes are greeted with equal enthusiasm in all quarters, I venture to say that a favourable consensus is emerging. It is of the utmost importance that the adaptation to new working relationships should proceed as harmoniously as possible and accordingly I would reiterate the plea, which I made in my previous review, for a constructive and positive attitude on the part of all concerned.

Directorate

During the year under review Messrs R.S. Lawrence, A.C. Petersen and P.F. Retief resigned from the Board, which wishes to place on record its deep appreciation of their invaluable contributions to the affairs of the Group over many years. The vacancy occasioned by Mr Retief's resignation was filled by the appointment to the Board of Mr H. Scott-Russell.

With effect from 8 November 1979, Mr B.A. Smith relinquished his appointment as Deputy Chairman of the company in order to devote his attention to other duties within the JCI group. I should like to pay tribute to Mr Smith for his outstanding services to your company during his tenure of office as Deputy Chairman. Mr Smith will remain a member of the Board.

Mr G. H. Waddell, Deputy Chairman of Johannesburg Consolidated Investment Company, Limited, became a member of the Board on 8 February 1978. With effect from 1 January 1980, he has been appointed Deputy Chairman of your company and a member of the Executive Committee.

General

I wish to record our appreciation of the excellent technical, research and marketing services provided by Johnson Matthey & Co. Limited, our sole marketing agents. I would also thank our customers throughout the world for their continued support.

To the Mine Managers, Consulting Engineers, Secretaries and all the staff and employees at the mines and at Head Office, my sincere thanks for their loyal and efficient services during the past year.

Johannesburg
21 January 1980

Copies of this Review and the Report and Accounts are obtainable from the London Secretaries: Barnato Brothers Limited, 99 Bishopsgate, London EC2M 3XE.

MINING NEWS

Rustenburg's 'modest' dividend policy

BY KENNETH MARSTON, MINING EDITOR

A MIXED reception may be accorded to Sir Albert Robinson's latest chairman's review of the affairs of South Africa's Rustenburg Platinum Holdings. On the one hand, for example, he anticipates a fresh rise in earnings for the current year to August 31 but on the other he warns that it is "necessary to maintain a policy of modest dividend payments."

Sir Albert is concerned about the runaway rise in platinum prices which, on the free market are currently over $900 per ounce compared with the "fixed" producer price of $420 presently quoted by the South African producers, Rustenburg and Impala Platinum. He points out that free market prices "are quite unjustifiable in terms of normal market conditions."

The largest consumers of platinum are the U.S. and Japanese automobile industries—which use the metal in exhaust emission control devices — and the Japanese jewellery industry. As is already happening in gold and diamonds elsewhere, the Japanese jewellery industry is now running into price resistance from its customers.

The Japanese jewellery trade buys its platinum at the high free market prices and sets its own end-product prices accordingly. This is particularly irksome for Rustenburg which sells its platinum at the lower producer price, but faces a fall in demand as a result of the high prices enjoyed by others — especially as Rustenburg plans to spend about R6.5m (£3.5m) on jewellery promotional campaigns this year.

Demand for platinum from the automobile industry has declined in line with reduced production of motor cars and the trend towards making smaller models. However, Sir Albert reckons that this demand will be restored by the tightening of U.S. emission control requirements this year and he expects increased usage of the metal in the longer term.

Also with the long term in mind, Sir Albert discloses that prospecting work on the Merensky Platreef in the Potgietersrust district, which was originally mined in the 1920s, has outlined a potentially major new platinum-nickel-copper mine which could be mined by relatively low cost open-cast methods. Meanwhile, more evaluation work remains to be done.

● comment

The political and economic factors which have boosted the price of gold to record levels have been also at work in platinum and Sir Albert's concern about the market impact of the inflated price of platinum jewellery—which is dearer than that of gold—is fully understandable. But whereas the gold mines can countenance a sharp setback in the price of their metal and still offer high earnings and dividend yields, Rustenburg has not enjoyed the full benefits of the platinum price boom but stands to suffer from its impact on consumer demand. Although Rustenburg is still making high earnings, its shares, with a yield of only 3.3 per cent, are discounting a major increase in dividends which now seems unlikely in view of Sir Albert's remarks. On this basis the shares at 320p are clearly over-priced in relation to the good-class gold issues.

WMC stymied on BH South bid

WESTERN MINING Corporation, the Australian mining group, has given up hope of gaining complete control of BH South, the Melbourne mining and investment house, but will have a majority holding. BH South will remain a listed company.

The plan to sell a number of BH South's assets, including its 20 per cent stake in Kembla Coal and Coke, to Conzinc Riotinto of Australia, will go ahead.

All of this emerged from a WMC statement yesterday. It said that WMC's share and cash offer for BH South would not be extended beyond its January 31 expiry date and that the full objective of acquiring all BH South shares cannot be achieved.

CTB Nominees, which covers the Commonwealth Trading Bank pension fund, holds 15.3 per cent of BH South and rejected the WMC bid last December. It has not modified its stand.

Subject to the approval of BH South shareholders, however, WMC is to recommend that the sale to CRA should go ahead of the company's stake not only in Kembla Coal, but also in Electrolytic Refining and Smelting (60 per cent), Metal Manufactures (19.4 per cent), Kanmantoo Mines (51 per cent) and Cobar Mines (100 per cent).

This means that CRA's plan to build up its 50 per cent stake in Kembla Coal to outright ownership is now within sight. In a separate transaction it has agreed to buy North BH's 30 per cent in Kembla.

cent stake in Kembla.

had received acceptances of 58.3 per cent for its offer of 11 of its own shares and 50 cents cash for every 10 shares in BH South.

Yesterday in London, WMC shares were 237p. BH South shares were 245p and those of CRA were 278p.

S. African gold output eases

SOUTH AFRICA'S gold produciton fell slightly last year but was still a little above the 1977 total which was the lowest for 16 years. Figures released by the South African Chamber of Mines show that the December 1979 output amounted to 1,912,567 troy ounces making a year's total of 22,613,000 ozs, or 703.3 tonnes compared with 704.5 tonnes in 1978 and 700 tonnes in 1977.

The value of last year's production, based on an average gold price of around $300 an ounce, would have amounted to some $6.78bn (£2.97bn). South Africa accounts for about half the total world production of the metal, the other main source being the Soviet Union.

Gold sales made by the Soviet bloc in 1978 amounted to about 410 tonnes and are thought to have fallen to around 250 tonnes in 1979.

Clearly, if gold prices stay at anywhere near their current levels—bullion closed at $825 yesterday—South Africa's gold revenue will show an even more impressive advance this year.

But production is unlikely to be significantly higher, bearing in mind the fact that the South African mines are required by their lease terms to extract lower grade ore when this is made profitable by high prices, thus extending their working lines.

High profit at Mary Kathleen

MARY KATHLEEN, Australia's only uranium producer, had record profits last year, but is paying no dividend. Earnings for the current year will be substantially lower.

Net profits in 1979 were A$17.34m (£8.4m), compared with A$707,000 in 1978, Mary Kathleen announced yesterday.

The company paid no tax last year, but tax allowances worth at one stage A$23.37m will be worked out early this year. "This will substantially lower the profits after taxation in 1980 and for the remaining life of the mine," the company said.

This fact, coupled with a debt load of A$20m, raised in 1977 from the Commonwealth Government and Conzinc Riotinto of Australia, the major shareholders, explains why there is no dividend payment.

Last year, in any case, Mary Kathleen had to meet payments out of net profits totalling A$12.78m to cover interest on borrowings at A$2.5m, more than five times the amount paid in 1978; depreciation of A$9.16m, nearly double the amount for 1978, and Queensland Government royalties of A$1.1m.

OIL AND GAS NEWS

Canadian Hunter will spend C$27m on B.C. exploration

CANADIAN HUNTER Exploration, the oil and gas exploration unit of Canada's Noranda Mines, has won, by sealed bid, the right to explore a total of almost 2m hectares (4.8m acres) in the Nechako Basin of central British Columbia, reports John Soganich from Toronto.

The winning bid represents a commitment by Hunter to spend C$27.5m (£10.4m) on drilling and seismic work over five years for an average of $5.73 an acre. Seismic surveys will begin immediately.

The Nechako Basin is described as one of the many remnant structural basins of the cretaceous sea which extended from the Arctic to the Gulf of Mexico.

Only a few cretaceous basins, in remote areas of the north, are unexplored. All others, from Alaska to Mexico, are producing major quantities of oil and gas.

The Nechako is little known because of a cover of volcanics, but it has large structures and a maximum sediment thickness of 20,000 feet of marine cretaceous rocks.

The basin is west of Williams Lake, British Columbia. Its southern boundary is crossed by a highway, while the Westcoast Gas Pipeline lies along its eastern edge.

* * *

Brunswick Oil NL, the West Australian oil exploration concern, which is listed on the Sydney and Melbourne Stock Exchanges, is seeking to acquire 100 per cent ownership of 4.8m acres of prospective oil areas in the Browse Basin, offshore Western Australia.

Brunswick has negotiated an option to purchase Oberon Oil, a private company which holds Petroleum Exploration Permits WA 104P and EP 106. Terms of the offer are A$4.89m payable in a mixture of cash and shares.

A seismic survey carried out last year identified a number of anomalous areas with geological structures. Two international firms of consultants, Layton and Robertson Research, who were involved in the evaluation of the prospects, have independently reported, recommending drilling of two structures which are in water depths of less than 100 metres.

Permits immediately to the north are currently being explored by Woodside Petroleum. Brunswick is currently undertaking negotiations for the financing of the acquisition and its immediate work commitments.

99 companies wound up

COMPULSORY WINDING up orders were made against 99 companies by Mr. Justice Dillon in the High Court yesterday.

They were :— Avenue Foundry (Newport), A.C.T. Commercials, Cornforth Auto Spares, V. L. Wood (Contractors), Kamal Ranasinghe Co., Iracund, Presto European Transport.

M. J. S. Footwear, Toronto Shopfitters, Instand Foods Vending Supplies (Waltham Forest), Parkclear Joinery, Lowrie Engineering Company, A. B. Seymore (Imports), Phytoid (Haulage Contractors).

Faranicci, Focus Fairs, W. J. Scaling, Lexdell, Audlem Motors, Peak Rubber and Plastics, Sam [illegible] Press Knives.

Cobra Supaform, P. H. Cooper and Co., Day and Sons (Nazeing), Parmount Products (Rossendale), Vintage Wines and Spirits Consultants, Bracey Gardens, Goldbourne Development Company, Dewlet.

Almners Country Estates, Hardman Marsden and Co., Lannox, G. A. Byard, Hall House Aquadine, Benton and District Social Club, Concessionaire Catering, A. J. M. Interiors.

Stonecraft Jewellery, Smith's Car Hire, Electricians Supplies (Swansea), Ewin and Son, Helencombe, Holbeckford, J. C. Langton Investments, Loroch, Southome.

Rarmerglow, The Albert Line, Brabnar Land (Promotions), Stuart Heynes (Contractors), Brentford Insurance Brokers, Gearpalm, Shapway Plastering, Waterpoint.

Bordyke, E. I. C. Interior Improvements, Ealing Plasterers, Directors' Management Participation, Ark Shipping and Trading (London), Goodville, Suncare, Aubrey Handbags.

Adelphi Pharmacy, A. K. Homes, Barness Properties, Celestial Garden Restaurant Company, Portador Enterprises, Parker and Norton (Developments), Goodfit.

Heronchoice, Itor, John Curtis Electrical, Tryon Joinery, [illegible] Properties, Origin Gallery, [illegible]brow Properties.

Lowstead Investments, Treadcare Tyres, Miss Lancer of London, Dorik Flooring, B. C. D. Formwork, Adsmith Estates, Eureka Developments.

Kamran Exports, Regaltop, Senatequill, Wanderers Sports, Avalanche, M. S. Gill and Co., Beserkley Records, Wireonics.

"Tara" Transport (Hire), Anglian Leisure Products (1978), Concraig Holdings, Pathfield Electrotechnics, Survey Tar Paving Company, Creon Mechanical Services, B. M. Services (Heating).

A compulsory winding up order made on January 14 against Trowcraft was rescinded and the petition dismissed by consent.

Pound improves

STERLING improved in currency markets yesterday, with demand reflecting current interest in the UK Government's new gilt-edged stock. On a trade-weighted basis, its index rose to 72.3, its best level since early August last year, and compared with Friday's close of 71.9. Against the dollar, the pound opened at $2.2925 and rose to a high of $2.2960. During the afternoon, however, demand fell away and it fell back to close at $2.2835-2.2845, a loss of 15 points. Sterling's weaker performance later in the day against the dollar was probably a reflection of dollar support given by the U.S. Federal Reserve Bank.

In a reverse trend to the spot market, forward sterling was rather weak. One-month forward sterling widened to 1.00c pm from 0.87c pm, and three-month to 1.95c pm from 1.73c pm.

Trading in the U.S. dollar was generally featureless, although continued unrest in the Middle East and developments in Yugoslavia precluded any natural improvement. Nevertheless the Fed's firm intention to maintain a stable currency helped the dollar finish at its best level for the day. Against the D-mark it finished at DM 1.7295 against DM 1.7235 and SwFr 1.6015 from SwFr 1.5910 in terms of the Swiss franc. The U.S. unit was also firmer against the Japanese yen, rising to Y241½ from 239.60. On Bank of England figures, its trade-weighted index rose to 84.9 from 84.7.

D-MARK—Very strong, and showing a tendency to rise within the European Monetary System—The D-mark lost a little ground at the fixing against other EMS members, with the exception of the Irish punt. The Belgian franc was quoted at DM 6.159 per BFr 100 compared with DM 6.152 and the French franc was firmer at DM 42.695 per FFr 100 from DM 42.69. Sterling rose quite sharply to DM 3.9580 from DM 3.9330, and the dollar edged firmer to DM 1.7278 from DM 1.7245. Trading was generally at a low level, with little in the way of fresh news to affect currency movements.

FRENCH FRANCS—Strongest member of the EMS since late December—The franc lost ground against sterling, the U.S. dollar and all its EMS partners yesterday. Sterling rose at the fixing to FFr 9.2715 from FFr 9.2220 and the dollar was firmer at FFr 4.0450 compared with FFr 4.0382½. The D-mark rose to FFr 2.3422 from FFr 2.3419 and the Belgian franc was quoted higher at FFr 14.4260 against FFr 14.4170.

DANISH KRONE—Basically weak, suffering two devaluations since EMS began last March—The krone improved against its EMS partners with the exception of the Belgian franc and the Italian lira. The D-mark eased at the fixing to DKr 3.1259 from DKr 3.1285 and the French franc was lower at DKr 1.3348 against DKr 1.3361. Elsewhere sterling rose to DKr 12.3650 from DKr 12.3005, and the dollar improved to DKr 5.3965 from DKr 5.3935.

BELGIAN FRANC—Generally weakest member of EMS, but resists devaluation—The franc was generally firmer against other EMS currencies, but lost ground against sterling and the U.S. dollar. Sterling rose at the fixing to BFr 64.28 from BFr 63.8825 and the dollar was firmer at BFr 28.0425 against BFr 28.02.

ITALIAN LIRA—Steadier recently after falling from the top of the EMS last November—The lira showed a general improvement at yesterday's fixing. Weaker currencies within the EMS included the D-mark at L466.40 against L466.68, and the Irish punt at L1,727.75 compared with L1,370.

THE POUND SPOT AND FORWARD

Jan. 21	Day's Spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.2825-2.2960	2.2835-2.2845	1.05-0.95c pm	5.25	2.00-1.90 pm	3.41
Canada	2.6500-2.6665	2.6505-2.6515	1.50-1.40c pm	6.56	2.80-2.70 pm	4.13
Nethlnd.	4.34½-4.38½	4.35¾-4.36¾	3½-2½c pm	8.26	7½-6½ pm	6.54
Belgium	63.95-64.45	64.00-64.10	30-20c pm	4.68	56-46 pm	3.19
Denmark	12.30-12.39	12.31-12.32	4½-2½ore pm	3.65	2½-½ pm	4.06
Ireland	1.0640-1.0700	1.0650-1.0660	par-0.10p dis	−0.56	0.10-0.20dis	−0.56
W. Ger.	3.94-3.97½	3.94½-3.95½	4⅞-3⅞pf pm	11.36	9½-8½ pm	9.11
Portugal	113.60-114.40	113.75-114.00	20c pm-30 dis	−1.06	par-100 dis	−1.76
Spain	150.75-151.40	150.80-150.90	35c pm-15 dis	0.79	20pre-80dis	−0.73
Italy	1,838-1,849	1,838½-1,839½	3½-5½ lire dis	−2.94	16½-18½ dis	−3.81
Norway	11.21-11.29	11.21¾-11.22¾	8¾-6¾ore pm	8.29	19-15 pm	5.88
France	9.24-9.29	9.24½-9.25½	6½-5½c pm	7.78	11½-10½ pm	4.86
Sweden	9.46-9.52	9.46½-9.47½	5½-3½ore pm	5.70	10½-8½ pm	4.02
Japan	547-557	550½-551½	9.30-6.00y pm	13.39	13.55-13.25pre	9.73
Austria	28.27-28.45	28.30-28.35	30-20gro pre	10.59	65-55 pm	8.47
Switz.	3.64½-3.67½	3.65½-3.66½	5-4c pm	14.75	11½-10½ pm	11.88

Belgian rate is for convertible francs. Financial franc 66.05-66.13. Six-month forward dollar 2.65-2.55c pm. 12-month 3.95-3.80c pm.

THE DOLLAR SPOT AND FORWARD

Jan. 21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	2.2825-2.2960	2.2835-2.2845	1.05-0.95c pm	5.25	2.00-1.90 pm	3.41
Ireland†	2.1430-2.1450	2.1440-2.1450	1.00-0.90c pm	6.32	2.05-1.95 pm	3.73
Canada	1.1610-1.1613	1.1610-1.1613	0.15-0.11c pm	1.34	0.18-0.14 pm	0.55
Nethlnd.	1.9030-1.9058	1.9048-1.9058	0.59-0.52c pm	3.49	1.58-1.48 pm	3.21
Belgium	28.03-28.07	28.04-28.06	1c pm-½ dis	0.11	par-2 dis	−0.14
Denmark	5.3915-5.3956	5.3915-5.3930	0.35-0.85ore dis	−1.33	3.75-4.25dis	−2.97
W. Ger.	1.7250-1.7300	1.7290-1.7300	0.94-0.84pf pm	6.17	2.50-2.40 pm	5.67
Portugal	49.78-49.95	49.88-49.95	15-25c dis	−4.81	45-75 dis	−4.81
Spain	66.03-66.07	66.03-66.06	20-30c dis	−4.54	65-80 dis	−4.39
Italy	806.10-805.50	806.10-805.40	4-6 lire dis	−8.70	13-14 dis	−8.70
Norway	4.9120-4.9155	4.9120-4.9130	1.50-1.00ore pm	3.05	3.60-3.10 pm	2.73
France	4.0420-4.0495	4.0480-4.0495	0.85-0.75c pm	2.37	1.45-1.30 pm	1.36
Sweden	4.1435-4.1465	4.1445-4.1465	0.45-0.25ore pre	1.01	0.95-0.75 pm	0.82
Japan	240.00-241.50	241.20-241.30	1.70-1.55y pm	8.08	3.90-3.75 pm	9.34
Austria	12.39½-12.402	12.397-12.402	5½-4½gro pm	5.32	17-14 pm	5.00
Switz.	1.5930-1.6030	1.6010-1.6020	1.33-1.25c pm	9.70	3.45-3.35 pm	8.53

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

CURRENCY RATES

Jan. 18	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	17	0.379291	0.633943
U.S. $	19	1.38090	1.44538
Canadian $	14	1.55462	1.674900
Austria Sch.	3¾	16.3633	17.8938
Belgian F.	10½	37.0118	40.4706
Danish K.	11	7.11965	7.78552
D Mark	6	2.27789	2.49165
Guilder	2½	2.51037	2.74638
French Fr.	9½	5.33419	5.83571
Lira	15	1062.99	1165.71
Yen	6¼	316.990	346.197
Norwgn. Kr.	9	6.48825	7.09897
Spanish Pts.	8	87.2995	95.6260
Swedish Kr.	10	5.47491	5.99065
Swiss Fr.	9	2.10618	2.30465

CURRENCY MOVEMENTS

Jan. 21	Bank of England Index	Morgan Guaranty changes %
Sterling	79.5	−34.2
U.S. dollar	84.9	−8.3
Canadian dollar	81.3	−16.6
Austrian schilling	168.0	+94.9
Belgian franc	116.6	+13.9
Danish kroner	109.0	−2.7
Deutsche mark	168.3	+48.3
Swiss franc	203.9	+81.1
Guilder	126.2	+20.4
French franc	102.5	−5.5
Lira	55.1	−49.7
Yen	116.2	+15.2

Based on trade weighted changes from Washington agreement December, 1971 (Bank of England index=100).

OTHER MARKETS

Jan. 21	£	$		£ Note Rates
Argentina Peso	3754-3774	1645-1655	Austria	28.10-28.35
Australia Dollar	2.0560-2.0580	0.9016-0.9020	Belgium	66.10-66.60
Brazil Cruzeiro	99.88-100.88	43.75-44.15	Denmark	12.53-12.41
Finland Markka	8.44-8.46	3.6840-3.6860	France	9.24-9.31
Greek Drachma	n/a	n/a	Germany	3.95-3.97½
Hong Kong Dollar	11.01-11.05	4.8150-4.8180	Italy	1875-1995
Iran Rial	n/a	n/a	Japan	561-556
Kuwait Dinar (KD)	0.617-0.627	0.2718-0.2719	Netherlands	4.35½-4.38
Luxembourg Frc.	64.00-64.10	28.04-28.06	Norway	11.25-11.34
Malaysia Dollar	4.9900-5.0020	2.1805-2.1815	Portugal	113-124
New Zealand Dlr.	2.3085-2.5145	1.0115-1.0125	Spain	151-159
Saudi Arab. Riyal	7.64-7.74	3.3600-3.3607	Sweden	9.49-9.55
Singapore Dollar	4.9180-4.9300	2.1490-2.1500	Switzerland	3.65-3.67
Sth. African Rand	1.8675-1.8690	0.8175-0.8186	United States	2.287-2.295
U. A. E. Dirham	8.52-8.62	3.7426-3.7436	Yugoslavia	49-56

Rate given for Argentina is free rate.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU January 21	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	39.7897	40.4983	+1.78	+1.43	±1.53
Danish Krone	7.72336	7.78858	+0.84	+0.49	±1.64
German D-Mark	2.48208	2.49438	+0.49	+0.14	±1.125
French Franc	5.84700	5.84322	−0.06	−0.41	±1.3557
Dutch Guilder	2.74362	2.74974	+0.22	−0.13	±1.512
Irish Punt	0.668201	0.673350	+0.77	+0.42	±1.686
Italian Lira	1157.79	1162.61	+0.41	+0.41	±4.08

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

Jan. 21	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'r	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	2.284	3.953	551.0	9.260	3.660	4.358	1839.	2.651	64.05
U.S. Dollar	0.438	1.	1.731	241.2	4.050	1.602	1.908	805.9	1.161	28.04
Deutschemark	0.253	0.578	1.	139.4	2.340	0.928	1.102	465.3	0.671	16.20
Japanese Yen 1,000	1.815	4.145	7.173	1000.	16.79	6.642	7.908	3338.	4.811	116.2
French Franc 10	1.081	2.469	4.273	595.7	10.	3.957	4.711	1988.	2.866	69.84
Swiss Franc	0.273	0.624	1.080	150.5	2.527	1.	1.191	502.5	0.724	17.50
Dutch Guilder	0.222	0.524	0.907	126.4	2.123	0.840	1.	422.0	0.608	14.70
Italian Lira 1,000	0.544	1.242	2.149	299.6	5.030	1.990	2.369	1000.	1.449	34.83
Canadian Dollar	0.377	0.862	1.421	207.8	3.489	1.381	1.644	693.7	1.	24.16
Belgian Franc 100	1.561	3.566	6.171	860.3	14.44	5.714	6.803	2871.	4.132	100.

EURO-CURRENCY INTEREST RATES

The following nominal rates were quoted for London dollar certificates of deposit: one month 14.15-14.25 per cent; three months 14.15-14.25 per cent; six months 14.15-14.25 per cent; one year 13.30-13.40 per cent.

Jan. 21	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian $	Japanese Yen
Short term	22-23¼	13¾-14	12½-13½	11-11¼	2¼-2½	8¼-8⅜	11¾-12	20-26	—	¼-5⅛
7 days' notice	19-19¼	13⅞-14⅛	12½-13½	11¼-11½	2⅜-2⅝	8¼-8⅜	11¾-12	23½-25½	13⅞-13⅞	5⅞-5⅝
Month	18½-18¾	14⅛-14⅜	13½-13⅞	11¼-11½	5½-5⅝	8⅜-8½	12⅛-12⅝	21½-23½	14⅛-14⅜	6⅛-7⅛
three months	17⅝-17⅝	14¼-14½	13½-13⅞	11¼-11½	5⅞-5⅞	8⅞-8⅞	13¾-18	20¾-21¾	14⅛-14⅜	7⅞-8
six months	16½-16¾	14¼-14½	16½-13⅞	11⅛-11⅜	5⅝-5¾	8⅞-8⅞	13⅜-13⅝	20-21	14⅛-14⅜	7⅞-8¼
one year	15⅝-15⅝	13⅝-13⅝	13⅛-12⅛	10⅞-11⅛	5⅞-5⅞	8⅞-8⅞	13⅝-13⅝	20-21	13⅝-12½	7⅝-8⅛

Long-term Eurodollar two years 12-12½ per cent; three years 11⅞-12⅛ per cent; four years 11⅞-12 per cent; five years 11⅞-11⅞ per cent; nominal closing rates. Short-term rates are call for sterling, U.S. dollars and Canadian dollars; two-day call for guilders and Swiss francs. Asian rates are closing rates in Singapore.

INTERNATIONAL MONEY MARKET

European rates steady

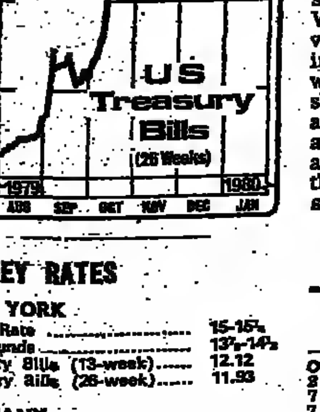
European interest rates were generally steady yesterday, with Paris call money rising ⅛ per cent to 11⅞ per cent, but down from 12½ per cent a week earlier. Term rates were unchanged from Friday, except six-month money which eased by ⅛ per cent. Conditions are expected to remain stable in the French money market during the rest of the week, helped by the recent willingness of the authorities to provide liquidity. Last week the Bank of France bought about FFr 12bn of first category paper at 12 per cent, compared with 12⅛ per cent previously.

An auction of FFr 1.2bn of seven-month Treasury bills will be held to-day, as will the floating of the Government's first state loan of the year.

Strong demand has led to an increase in the six-year loan to FFr 12.5bn from the planned FFr 8bn. The record 12 per cent coupon and short maturity—state loans are generally for 15 years—has created strong interest from investors, including Middle East institutions. Banks handling the issue may have already fulfilled their subscription quotas.

In Zurich it was announced that Switzerland plans a further issue of three-month short-term certificates for Swiss residents, totalling about SwFr 200m. The yield on the previous issue was 3.65 per cent.

In Singapore, the Overseas Union Bank raised its prime lending rate to 9¾ per cent from 9½ per cent, bringing it into line with the other three major local banks.



MONEY RATES

NEW YORK	
Prime Rate	15-15¼
Fed. Funds	13⅞-14½
Treasury Bills (13-week)	12.12
Treasury Bills (26-week)	11.93
GERMANY	
Discount Rate	6
Overnight Rate	8.65
One month	8.75
Three months	8.95
Six months	8.65
FRANCE	
Discount Rate	9.5
Overnight Rate	11.875
One month	12.0625
Three months	12.3125
Six months	12.1875
JAPAN	
Discount Rate	6.25
Call (Unconditional)	8
Bills Discount (three-month)	8.4375

GOLD

Slight fall

Gold fell $10 an ounce in the London bullion market yesterday to close at $820-830. It opened at $825-835 and rose gradually through the morning to a fixing level of $843.00. During the afternoon the metal touched an all-time high at the fixing of $850, but drifted easier in later trading to finish at its lowest level for the day.

In Paris the 12½ kilo bar was fixed at FFr 98,750 per kilo ($758.31 an ounce) compared with a record FFr 98,750 ($760.25) in the morning and FFr 95,000 ($731.70) on Friday afternoon.

In Frankfurt, the 12½ kilo bar was fixed at DM 46,510 per kilo ($843.00 per ounce) against DM 46,010 ($825.50) previously.

	January 21		January 18	
Gold Bullion (fine ounce)				
Close	$820-830	(£359-364)	$830-840	(£363¾-367¾)
Opening	$825-835	(£360-365)	$800-860	(£361-366)
Morning fixing	$843	(£367.755)	$823.50	(£361.826)
Afternoon fixing	$850	(£371.066)	$838	(£365.347)
Gold Coins				
Krugerrand	$832-842	(£364-369)	$834-844	(£365-370)
Mapleleaf	$832-842	(£364-369)	$834-844	(£365-370)
New Sovereigns	$208-219	(£91-94)	$205-210	(£89-92)
King Sovs	$215-220	(£94-97)	$210-216	(£96-95)
Victoria Sovs.	$215-220	(£94-97)	$210-215	(£92-95)
Fr 20 Napoleon	FFr805-816	(SFr300-320)	—	—
50 pesos Mexico	$1050-1070		$1010-1025	
100 Cor. Austria	$820-830		$820-830	
$20 Eagles	$830-870		$850-870	
$10 Eagles	—		—	
$5 Eagles	—		—	

UK MONEY MARKET

Further shortage

Bank of England Minimum Lending Rate 17 per cent (since November 15, 1979)

Heavy demand for Government stock to be offered for tender on Wednesday is expected to aggravate a *general shortage of credit* in the London money market this week. Day-to-Day funds were in short supply yesterday and the authorities gave very large assistance. They bought a moderate amount of Treasury bills from the discount houses and banks, some for resale at a fixed future date; a small number of local authority bills from the houses; and a moderate amount of eligible bank bills from the houses, all for resale at a fixed future date. To complete the help the Bank of England lent a small amount overnight to three or four houses at Minimum Lending Rate.

There was a small decrease in the note circulation but this was outweighed by small run-down balances brought forward by the banks, a small net take-up of Treasury bills, a moderate excess of revenue payments to the Exchequer over Government disbursements, and repayment of the small amount lent to the market on Friday.

Discount houses paid up to 17 per cent for secured call loans, with closing balances taken at 16 per cent to 16½ per cent. In the interbank market overnight loans commanded 20 per cent to 22 per cent at the start, easing to 16 per cent in the afternoon, but closing around 20 per cent.

Rates in the table below are nominal in some cases.

LONDON MONEY RATES

Jan 21 1980	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	16-22	—	—	—	17¾	15-17	—	—	—
2 days notice	—	—	19-19¼	—	—	—	—	—	—	—
7 days or 7 days notice	—	18⅛-19½	19	—	18½	17½	16¾-17	—	—	—
One month	18⅞-17⅞	17⅞-19⅛	18	19-18½	18½	17⅝-17⅞	16½-16⅝	15⅞-15⅝	18¼-18⅛	18⅛
Two months	18¼-17⅞	17⅝-18½	—	18¼-17⅞	18¼	—	16⅛	15⅝-15¾	17½-17⅞	18⅛
Three months	17⅝-17⅝	17⅛-17⅞	17⅝-17½	17⅞-17⅛	18	17⅝-17⅞	16¼-16⅝	15¾-15⅞	16¾-16⅞	17⅛
Six months	18⅛-16¼	16⅞-16¾	16-16⅛	16¼-15¾	17	—	—	—	13⅝-16⅛	16⅞
Nine months	16⅛-16⅛	15⅝-15¾	—	15¾-15¼	16⅛	—	—	—	—	—
One year	15⅛-14⅞	14⅞-15⅜	15⅝-15⅝	15¼-14⅞	15⅝	—	—	—	—	—
Two years	—	—	15¼-15⅛	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days fixed. *Long-term local authority mortgage rates nominally three years 15¼-15½ per cent; four years 15-15¼ per cent; five years 14⅞-15⅛ per cent. ♦Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 16⅛-16½ per cent; four-month trade bills 16⅞ per cent.

Approximate selling rates for one-month Treasury bills 15⅞ per cent; two-months 15⅞-15⅝ per cent; three-months 15⅞-15⅞ per cent. Approximate rates for one-month bills 17⅞-18 per cent; two-months 17⅝-17⅞ per cent; three-months 16⅞ per cent; one-month trade bills 18⅛ per cent; two-months 17⅞ per cent and three-months 16⅞ per cent.

Finance Houses Base Rates (published for the Finance Houses Association) 17 per cent from January 1, 1980. Clearing Bank Deposit Rates for sums at seven days' notice 15 per cent. Clearing Bank Rates for lending 17 per cent. Treasury Bills: Average tender rates of discount 15.749 per cent.

WORLD VALUE OF THE POUND

The table below gives the latest available rates of exchange for the pound against various currencies on January 21, 1980. In some cases rates are nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Exchange to the UK and most of the countries listed is officially controlled and the rates shown should not be taken as being applicable to any particular transaction without reference to an authorised dealer.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling/dollar rates; (S) member of the sterling area other than Scheduled Territories; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (bk) bankers' rate; (cm) commercial rate; (cn) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (k) Scheduled Territory; (nc) non-commercial rate; (nom) nominal; (o) official rate; (sg) selling rate.

PLACE AND LOCAL UNIT		VALUE OF £ STERLING
Afghanistan	Afghani	95.00
Albania	Lek	10.16
Algeria	Dinar	8.7765
Andorra	French Franc	9.23
	Spanish Peseta	150.85
Angola	Kwanza	62.686
Antigua (S)	E. Caribbean $	6.19
Argentina	Ar. Peso Free Rate	3,764
Australia (S)	Australian $	2.0600
Austria	Schilling	28.396
Azores	Portug. Escudo	113.875
Bahamas (S)	Ba. Dollar	2.2840
Bahrain (S)	Dinar	0.863
Balearic Isles	Spa. Peseta	150.85
Bangladesh (S)	Taka	34.72
Barbados (S)	Barbados $††	4.5680
Belgium	B. Franc	(cm) 64.06
		(fn) 66.10
Belize	B $	4.5680
Benin	C.F.A. Franc	462.90
Bermuda (S)	Bda $	2.2840
Bhutan	Indian Rupee	18.12
Bolivia	Bolivian Peso	55.55
Botswana (S)	Pula	1.8060
Brazil	Cruzeiro ‡‡	100.38
Brit. Virgin Isles (S)	U.S. $	2.2840
Brunei (S)	Brunei $	4.9940
Bulgaria	Lev	1.8656
Burma	Kyat	15.4050
Burundi	Burundi Franc	203.555
Cameroon Repub'c	C.F.A. Franc	469.90
Canada	Canadian $	2.6510
Canary Islands	Spanish Peseta	150.85
Cape Verde Isle	Cape V. Escudo	85.50
Cayman Islands (S)	Cay. Is. $	1.9030
Cent. Af. Repub.	C.F.A. Franc	462.50
Chad	C.F.A. Franc	462.90
Chile	C. Peso	(Bk) 89.40
China	Renminbi Yuan	3.5970
Colombia	C. Peso	(F) 101.09
Comoro Islands	C.F.A. Franc	462.90
Congo (Braz'ville)	C.F.A. Franc	462.90
Costa Rica	Colon	19.60
Cuba	Cuban Peso	1.5894
Cyprus (S)	Cyprus £	0.783
Czechoslovakia	Koruna	(com) 11.45
		n/c 22.78
		(T) 19.94
Denmark	Danish Krone	12.316
Djibouti	Fr.	395.0 (sg)
Dominica (S)	E. Caribbean $	6.19
Dominican Repub	Dominican Peso	2.2840
Ecuador	Sucre	(O) 67.02
		(F) 63.10
Egypt	Egyptian £	(U) 1.62
Equatorial Guinea	Peseta	150.85
Ethiopia	Ethiopian Birr	(P) 4.7466
Falkland Islands (S)	Falkland Is. £	1.0
Faro Islands	Danish Krone	12.516
Fiji Islands	Fiji $	1.9090
Finland	Markka	8.46
France	French Franc	9.23
French C'tyin Af*	C.F.A. Franc	462.90
French Guiana	Local Franc	9.23
French Pacific Is.	C.F.P. Franc	169.20
Gabon	C.F.A. Franc	469.90
Gambia (S)	Dalasi	4.0
Germany (East)	Ostmark	3.9696
Germany (West)	Deutsche Mark	3.9326
Ghana (S)	Cedi	6.27
Gibraltar (K)	Gibraltar £	1.0
Greece	Drachma	n/a

PLACE AND LOCAL UNIT		VALUE OF £ STERLING
Greenland	Danish Kroner	12.312
Grenada (S)	E. Caribbean $	6.19
Guadaloupe	Local Franc	9.23
Guam	U.S. $	2.2840
Guatemala	Quetzal	2.2840
Guinea Republic	Sily	42.90
Guinea Bissau	Peso	76.30
Guyana (S)	Guyanese $	6.8385
Haiti	Gourd	11.46
Honduras Repub.	Lempira	4.6000
Hong Kong (S)	H.K. $	11.0200
Hungary	Forint	(com) 74.77
		(T)(nc) 44.71
Iceland (S)	I. Krona	913.50
India (S)	Ind. Rupee	18.12
Indonesia	Rupiah	1,431.26
Iran	Rial	n/a
Iraq	Iraq Dinar	0.67445
Irish Republic (K)	Irish £	1.0655
Israel	Israel £	85.85
Italy	Lira	1,839.0
Ivory Coast	C.F.A. Franc	462.90
Jamaica (S)	Jamaica Dollar	4.0766
Japan	Yen	551.0
Jordan (S)	Jordan Dinar	0.696 (sg)
Kampuchea	Riel	3,748.00
Kenya (S)	Kenya Shilling	16.58
Kiribati	Australian $	2.0600
Korea (Nth)	Won	1.979 (ll)
Korea (Sth)	Won	1,394.79
Kuwait (Sth)	Kuwait Dina	0.629
Laos	Kip Pot Po	218.00
Lebanon	Lebanese £	7.4555
Lesotho	S. African Rand	1.8682
Liberia	Liberian $	2.2840
Libya	Libyan Dinar	0.6780
Liechtenstein	Swiss Franc	3.66
Luxembourg	Lux Franc	64.05
Macao	Pataca	19.15
Madeira	Portug'se Escudo	116.373
Malagasy Republic	MG Franc	462.90
Malawi (S)	Kwacha	1.79
Malaysia (S)	Ringgit	4.9950
Maldive Islands (S)	Mal Rupee	8.9993
Mali Republic	Mali Franc	925.00
Malta (S)	Maltese £	0.778
Martinique	Local Franc	9.25
Mauritania	Ouguiya ‡	92.65
Mauritius (S)	M. Rupee	17.39
Mexico	Mexican Peso	52.29
Miquelon	C.F.A. Franc	462.90
Monaco	French Franc	9.25
Mongolia	Tugrik	(o) 5.2580 (ll)
Montserrat	E. Caribbean $	6.19
Morocco	Dirham	8.35 (sg)
Mozambique	Moz. Escudo	69.76
Nauru	Australian Dollar	2.0600
Nepal	Nepalese Rupee	27.60
Netherlands	Guilder	4.3576
Netherland Antilles	Antillian Guilder	4.0990
New Hebrides	Franc.	149.35
	Aust. Dollar	2.0600
New Zealand (S)	N. Z. Dollar	2.3116
Nicarague	Cordoba	22.925
Niger Republic	C. F. A. Franc	462.90
Nigeria (S)	Naira	1.230192 (sg)
Norway	Norway Krone	11.2236
Oman Sul'ate of (S)	Rial Omani	0.791
Pakistan	Pakistan Rupee	22.76
Panama	Balboa	2.2840
Papua N. Guinea (S)	Kina	1.3720
Paraguay	Guarani	286.10

PLACE AND LOCAL UNIT		VALUE OF £ STERLING
Peoples D. Repub. of Yemen (S)	S. Yemen Dinar	(A) 0.7820
Peru	Sol	exc(A) 573.41
Philippines	Philippine Peso	16.86
Pitcairn Islands (S)	£ Sterling	—
	New Zealand $	2.3113
Poland	Zloty	(Cm) 66.60
		(T) 66.60
Portugal	Portugu'se Escudo	113.876
Port Timor	Timor Escudo	113.875
Puerto Rico	U.S. $	2.2840
Qatar (S)	Qatar Ryal	8.42
Reunion Ile de la	French Franc	9.25
Rhodesia	Rhodesian $	1.6110
Romania	Leu	(Cm) 10.03
		(n/c) 26.93
Rwanda	Rwanda Franc	206.71
St. Christopher (S)	E. Caribbean $	6.19
St. Helena	St. Helena £	1.0
St. Lucia	E. Caribbean $	6.19
St. Pierre	C.F.A. Franc	462.90
St. Vincent (S)	E. Caribbean $	6.19
Salvador El	Colon	5.76
Samoa American	U.S. $	2.2760
San Marino	Italian Lire	1,839.0
Sao To'e & Principe	Dobra	79.82
Saudi Arabia	Ryal	7.69
Senegal	C.F.A. Franc	469.60
Seychelles	S. Rupee	13.376
Sierra Leone (S)	Leone	2.33889
Singapore (S)	Singapore $	4.9240
Solomon Islands (S)	Solomon Is. $	1.2640
Somali Republic	Somali Shilling	(A) 13.80
South Africa (S)	Rand	1.86826
South West African Territories (S)	S. A. Rand	1.86823
Spain	Peseta	150.86
Spanish ports in North Africa	Peseta	150.83
Sri Lanka (S)	S. L. Rupee	36.23
Sudan Republic	Sudan £ ⊕	n/a
Surinam	S. Guilder	4.0990
Swaziland (S)	Lilangeni	1.86896
Sweden	S. Krona	9.47
Switzerland	Swiss Franc	3.66
Syria	Syria £	(A) 8.9910
Taiwan	New Taiwan	(P) 82.45
Tanzania (S)	Tan. Shilling	18.40
Thailand	Baht	46.70
Togo Republic	C.F.A. Franc	462.90
Tonga Islands (S)	Pa'anga	2.0800
Trinidad (S)	Trinidad & Tob. $	5.4815
Tunisia	Tunisian Dinar	0.883 (SG)
Turkey	Turkish Lira	106.33
Turks & Caicos	U.S. $	2.2840
Tuvalu	Australian $	2.0600
Uganda (S)	Uganda Shilling	16.95
United States	U.S. Dollar	2.2840
Uruguay	Uruguay Peso	(cm) 19.42
		(fn) 19.48
Utd. Arab Emirates	U.A.E. Dirham	8.57
U.S.S.R.	Rouble	1.4954
Upper Volta	C.F.A. Franc	462.90
Vatican	Italian Lire	1,839.0
Venezuela	Bolivar	9.84
Vietnam	Dong	(O) 4.9260
		(T) 4.50 (l)
Virgin Islands U.S.	U.S. Dollar	2.2840
Western Samoa (S)	Samoan Tala	2.0636
Yemen	Ryal	10.36 (SG)
Yugoslavia	New Y Dinar	45.0792
Zaire Republic	Zaire	4.603328
Zambia	Kwacha	1.74

*That part of the French community in Africa formerly French West Africa or French Equatorial Africa. † Rupees per pound. ‡ General rates of oil and iron exports 96.20. ** Rate is the transfer market (controlled). †† Rate is now based on 2 Barbados $ to the dollar. ‡‡ New one official rate. (U) Unified rate. Applicable on all transactions except countries having a bilateral agreement with Egypt, and so are not members of IMF. (||) Based on gross rates against Russian rouble. ⊕ Incentive rate.

EUROPEAN OPTIONS EXCHANGE

Series		April Vol.	April Last	July Vol.	July Last	Oct. Vol.	Oct. Last	Stock
ABN C	F.300	5	7.50	1	10.60	—	—	F.289.50
ABN C	F.320	23	1.70	—	—	—	—	"
AKZ C	F.22.50	70	1.60	29	2	—	—	F.25
AKZ C	F.25	52	0.70	10	1.20	40	1.60	"
AKZ C	F.27.50	—	—	10	0.40	—	—	"
AKZ P	F.30	57	0.10	—	—	—	—	"
AKZ P	F.22.50	1	1	2	0.20	—	—	"
EK C	$45	5	4⅞	—	—	—	—	$46⅝
EK C	$50	6	1¾	1	3¾	—	—	"
HO C	F.20	—	—	6	5.90	—	—	F.20.90
HO C	F.22.50	—	—	8	1.80	—	—	"
IBM C	$70	10	3¾	2	8⅝	—	—	$69¾
IBM C	$75	10	2	—	—	—	—	"
KLM C	F.70	100	2.80	41	4.60	—	—	F.87
KLM C	F.80	32	0.50	24	1.90	—	—	"
KLM C	F.90	15	0.20	30	0.60	—	—	"
KLM C	F.100	10	0.20	—	—	—	—	"
KLM P	F.70	160	6.90	25	6.40	6	7.80	"
KLM P	F.80	40	13	61	14.50	—	—	"
KLM P	F.90	1	22.50	—	—	—	—	"
NN C	F.120	58	3	42	4.80	—	—	F.118.40
NN C	F.125	59	1	—	—	—	—	"
PET C	Fr.5000	5	850	—	—	—	—	Fr.5720
PET C	Fr.6000	2	250	10	350	—	—	"
PHI C	F.20	—	—	197	1.20	51	1.70	F.19.50
PHI C	F.22.50	—	—	104	0.30	40	0.80	"
PHI P	F.20	27	0.90	3	1.10	—	—	"
PHI P	F.22.50	36	2.60	—	—	—	—	"
RD C	F.140	10	8.70	—	—	—	—	F.144.10
RD C	F.145	73	6.20	1	6.60	—	—	"
RD C	F.150	177	3	83	4.40	—	—	"
RD C	F.160	538	0.90	49	1.70	—	—	"
RD P	F.140	34	2.30	—	—	—	—	"
RD P	F.150	7	7.30	—	—	—	—	"
UNI C	F.120	16	2.10	—	—	—	—	F.114.30
		Feb.		**May**		**Aug.**		
BA C	$60	—	—	5	7⅛	3	9¼	$63¾
SLB C	$80	2	17¾	—	—	—	—	$97⅛
SLB C	$90	11	8⅞	—	—	—	—	"
SLB C	$100	30	9⅝	27	7	—	—	"

TOTAL VOLUME IN CONTRACTS 2491

C=Call P=Put

BASE LENDING RATES

A.B.N. Bank	17 %	Grindlays Bank	‡17 %
Allied Irish Bank	17 %	■ Guinness Mahon	17 %
Amro Bank	17 %	■ Hambros Bank	17 %
American Express Bk.	17 %	■ Hill Samuel	§17 %
Henry Ansbacher	17 %	C. Hoare & Co.	†17 %
A P Bank Ltd.	17 %	Hongkong & Shanghai	17 %
■ Arbuthnot Latham	17 %	Industrial Bk. of Scot.	17½%
Associates Cap. Corp.	17 %	Keyser Ullmann	17 %
Banco de Bilbao	17 %	Knowsley & Co. Ltd.	18½%
Bank of Credit & Cmce.	17 %	Lloyds Bank	17 %
Bank of Cyprus	17 %	Edward Manson & Co.	18 %
Bank of N.S.W.	17 %	Midland Bank	17 %
Banque Belge Ltd.	17 %	■ Samuel Montagu	17 %
Banque du Rhone et de la Tamise S.A.	17½%	■ Morgan Grenfell	17 %
Barclays Bank	17 %	National Westminster	17 %
Bremar Holdings Ltd.	18 %	Norwich General Trust	17 %
Brit. Bank of Mid. East	17 %	P. S. Refson & Co.	17 %
■ Brown Shipley	17 %	Rossminster	17 %
Canada Perm't Trust	17 %	Ryl. Bk. Canada (Ldn.)	17 %
Cayzer Ltd.	17 %	Schlesinger Limited	17 %
Cedar Holdings	17 %	E. S. Schwab	17 %
■ Charterhouse Japhet	17 %	Security Trust Co. Ltd.	18 %
Choulartons	17 %	Standard Chartered	17 %
C. E. Coates	17 %	Trade Dev. Bank	17 %
Consolidated Credits	17 %	Trustee Savings Bank	17 %
Co-operative Bank	*17 %	Twentieth Century Bk.	17 %
Corinthian Secs.	17 %	United Bank of Kuwait	17 %
The Cyprus Popular Bk.	17 %	Whiteaway Laidlaw	17½%
Duncan Lawrie	17 %	Williams & Glyn's	17 %
Eagil Trust	17 %	Yorkshire Bank	17 %
E. T. Trust Limited	17 %		
First Nat. Fin. Corp.	18½%		
First Nat. Secs. Ltd.	18 %		
Robert Fraser	18 %		
■ Antony Gibbs	17 %		
Greyhound Guaranty	17 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 15%. 1-month deposits 15¼%.
† 7-day deposits on sums of £10,000 and under 15%, up to £25,000 15¼% and over £25,000 15½%.
‡ Call deposits over £1,000 15%.
§ Demand deposits 15%.

NORTH AMERICAN NEWS

NYSE hopes for financial futures

The New York Stock Exchange plans to trade in financial futures, which have already proved themselves among the fastest growing money market instruments. Stewart Fleming assesses the prospects

FOR MANY Wall Street investment banks, last year's $1bn bond issue by International Business Machines was a disaster. Launched just before the Federal Reserve Board toughened its anti-inflationary stance on October 6 with moves that drove interest rates sharply higher, it left some underwriters facing heavy losses on the issue, running into millions of dollars overall.

But Mr. George Shinn, chairman of First Boston, says that his firm profited from the deal, partly because it was one of the underwriters with the foresight to hedge its risk in the financial futures markets.

Financial futures have been perhaps the most rapidly growing money markets instruments in the U.S. Started in 1975 in Chicago, the last quarter of that year saw some 20,000 contracts traded. Today, trading in some interest rate futures contracts can at times exceed both the volume and the value of trading in Chicago's long established grain and commodity futures "pits."

In essence, the contracts allow investors and traders (and

THE New York Stock Exchange

speculators) to take a position reflecting their judgment of where interest rates or currency rates are headed in coming months while only having to put up a fraction of the cost of their investment. The buyer and the seller of the contract agree to purchase or deliver a specified amount of a given financial security (for example a Treasury bill) at a future date, but at a price determined at the time of the deal.

In New York, Wall Street has been watching Chicago's spectacular success enviously, reflecting sadly on what

THE New York Stock Exchange

threatens to be a repeat of the Chicago Board of Trade's dominance of the share options business.

The nation's money and bond markets, and many of the companies which might be expected to make most active use of financial futures, are in New York, as is the bulk of the U.S. foreign exchange market.

Financial futures have seemed therefore a natural diversification for Wall Street's financial community, and some toes have been dipped in the water. The Commodities Exchange (Comex) recently started trading two interest rate futures contracts and the American Stock Exchange has one contracts trading. But progress has been slow, with both exchanges together trading fewer than 100,000 contracts last year.

In April of this year, however, the New York Stock Exchange, frustrated with its failure so far to obtain permission to enter the share options business, is expected to open up a new trading floor for business in financial futures. It is still awaiting final approval of its plans from the regulatory agency, the Commodities Futures Trading Commission, but has spent several million dollars so far on the venture.

The NYSE, or "Big Board," dominates the U.S. equity markets with some 80 per cent of the annual share trading volume. So, its debut in the financial futures business is being watched with more than passing interest. That is not to say, however, that there is any concensus about its chances of rapidly developing into a powerful competitor to Chicago. Traders in the financial futures markets point out that the Chicago markets themselves were slow to pick up and that even today there are enormous differences between the volume of trading in different contracts.

Ninety-day Treasury bill futures are booming on the Chicago Mercantile Exchange—1.7m of the 3tm contracts changed hands last year. 30 are 15 to 20-year Treasury bond contracts on the Chicago Board

THE New York Stock Exchange

of Trade, which saw a similar volume in a $100,000 contract.

But the CBOE's commercial paper contract saw just over a thousand contracts changing hands.

The New York Futures Exchange (NYFE), as it will be known, is under no illusion about the magnitude of the task facing it and is going about meeting the challenge in a determined fashion. It has poached several top officers from the Chicago financial futures market, to help it in its task, and is investing in modern electronic equipment to make its new facility as attractive as possible.

Mr. John Phelan, vice chairman of the New York Stock Exchange, who is chairman of NYFE is putting great emphasis on the mechanics, and the NYSE's reputation as a well-regulated institution, in promoting the new futures market. The NYSE claims to have had a good response to its initial membership drive.

One of the more intriguing decisions which NYFE seems to be moving towards is to put

THE New York Stock Exchange

considerable emphasis initially on trading currency futures. As things stand, five of the first eight contracts to be traded will be currency contracts. The others are expected to be another of the popular 90-day Treasury bill contracts, a long U.S. bond contract, and a Government National Mortgage Association (Ginnie Mae) contract.

Mr. Phelan is aware of the difficulty of breaking into the interbank foreign exchange market. Some foreign exchange dealers suggest that banks will have little incentive to trade currency futures when they can trade more freely and less expensively in the interbank currency market which has, for example, no margin requirements. There is, however, a highly profitable arbitrage business between the futures market in currencies and the interbank foreign exchange market.

On the other hand, NYFE is clearly hoping that it will be able to tap a new market for currency trading, namely a growing interest in currency trading (some would say speculation) by individuals and smaller corporations.

Annual earnings up 17% at Mead

By Stewart Fleming in New York

MEAD CORPORATION, a leading U.S. paper company which last week announced a puzzling shake-up in its top management, yesterday disclosed a 17 per cent increase in its 1979 earnings to $140.9m.

Sales for the year were $2.6bn, up 11 per cent over the $2.3bn earned in 1978.

Mr. James W. McSwiney, chairman and chief executive officer, said that last year was a good year for the company's lumber, paper and paperboard businesses.

But he added that demand for the company's lumber, plywood and wafter board had been affected by the decline in housing starts towards the end of the year.

He added, however, that the company is not seeing any evidence that would indicate a break in the economy as abrupt or as severe as in late 1974-75.

Last week the company announced a change in its much-publicised management team. Mr. Warren L. Batts, the 47-year-old president and chief executive officer, resigned not long after he had taken on the chief executive functions from the 64-year-old Mr. McSwiney, who has now resumed the chief executive job.

Final quarter downturn for Armco

By Our New York Staff

ARMCO, the large U.S. steel company, yesterday reported a sharp drop in 1979 fourth quarter profits, reflecting the general downtrend in the steel industry. Net income was $44.6m, or $0.97 a share, down from $56.7m, or $1.24 a share in the same period of 1978. Sales, however, were up, from $1.16bn to $1.27bn.

The results brought Armco's year-end earnings to $221m, or $4.82 a share, up from the $198.3m ($4.29) in 1978. Full year sales totalled $5.04bn, up from $4.36bn. Steel shipments were up slightly, from 6.1mn tons to 6.3mn tons.

But Armco clearly does not expect any major improvement in the foreseeable future. It predicts a 10 per cent drop in steel shipments in 1980, mostly in the first six months. Mr. Harry Holiday, the chief executive, said: "To achieve improvement in operating results, we have initiated tighter management controls and will divest those operations which do not fit into our long-range business plans."

Brascan eyes acquisitions

TORONTO — Brascan, the Canadian holding company is considering "two, perhaps three" major acquisitions, armed with C$800m to C$900m in cash and credit, said Mr. Trevor Eyton, the president.

Brascan is "looking at four situations right now" in Canada and the U.S. One of the companies is in the financial services field—the others are in the retail and consumer products business.
AP-DJ

Union Pacific in further $28m agreed merger

BY IAN HARGREAVES IN NEW YORK

UNION PACIFIC, which 10 days ago announced a $900m merger proposal with the Missouri Pacific Railroad, yesterday announced a second agreed merger bid, this time for the remnants of the Western Pacific system in California.

New York-based Union Pacific's bid for Western is valued at $28m and forms another piece in the jigsaw of corporate reorganisation sweeping through the American railway industry.

Two other leading railway companies, Burlington Northern and Norfolk and Western, yesterday announced sharp increases in earnings for last year.

Under the terms of three proposed railway mergers, all of which are subject to the usually lengthy scrutiny of the Interstate Commerce Commission, the U.S. railroad industry would be radically reshaped in the coming months.

If the Union-Missouri-Western deal goes ahead, it would create the third largest network totalling 22,900 miles. The biggest would be the proposed Burlington Northern-St. Louis and San Francisco network (29,600 miles) and the Chessie system merger (26,600 miles).

Western Pacific operates over 1,600 miles of track in California, Nevada and Utah. Until last April it was part of Western Pacific Industries, but was then sold to a group of employees. Union Pacific already owns 9.9 per cent of Western's common shares.

Burlington Northern, the Minnesota company which at present operates the country's longest railway, more than doubled earnings in the fourth quarter, from $20m to $50m, on sales up by 32 per cent to $907m.

For the whole year, earnings rose from $114m to $175m on sales 28 per cent up at $3.25bn.

Norfolk and Western also posted record earnings. For the full year they rose by 88 per cent to $198.6m, excluding the effects of an extraordinary credit of $59m in 1978. Sales rose by 32 per cent to $1.45bn.

Last year, freight traffic on all U.S. railways increased by 5.2 per cent to a record 902bn tonne miles.

Bank of America lifts profits

BY DAVID LASCELLES IN NEW YORK

BANK OF AMERICA, the largest U.S. bank, yesterday reported a small increase in profits for the final quarter of 1979. Income before securities transactions was $158m, or $1.07 a share, up 7.8 per cent on the same period of 1978 when earnings per share were $1.

Net income for the whole of 1979 reached $600m ($4.10), up 17 per cent on the $514m earned in 1978.

Bank of America said that it had had to increase its provision for loan losses by 28 per cent, from $177m to $226m in 1979. Loan losses in the last quarter were $41m, up 8 per cent on the final quarter of 1978.

The bank ascribed part of its profits to major gains in fees from trade financing, and the sale of business services. Foreign exchange profits also increased sharply, from $64m to $90m.

Kodak optimistic on price rises

ROCHESTER — Eastman Kodak said that it does not expect the recent increases in the price of film and photographic paper to have "a significant effect" on spending on photography.

Kodak recently said that it would increase consumer film prices by 10 to 25 per cent and photographic paper prices by 50 per cent due to the sharp increases in silver prices.

The company said, however, that the price consumers pay for colour prints from Kodak processing laboratories will not increase substantially.

Kodak said that the increase in paper costs for photofinishers and other processors, including its own laboratories, will be largely offset by the recovery of silver from the paper used to make prints.

Kodak said that it purchases 50m ounces of silver annually, of which 35m ounces are for use in U.S. manufacturing operations.

Because of the large amount of silver involved, the company also said it keeps silver inventories at an absolute minimum.

"This also means that the most recent silver prices enter into our manufacturing costs within a few weeks and this compels increases in the prices for our products," the company added.
Reuter

Texaco and Mobil pursue Belridge suits

By Our New York Staff

MOBIL and Texaco are to pursue their legal bid to halt the liquidation of Belridge, the Californian oil company sold to Shell Oil last year for a record $3.65bn, both companies said yesterday.

Their statements came in response to a Los Angeles judge's refusal last week to grant them a preliminary injunction.

Record foreign sales help Ford

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

FORD'S car and truck sales outside North America last year reached a record 2.14m units, more than 5 per cent up on the 2.04m units in 1978.

This maintained Ford's position as the leading U.S.-based automotive group outside its home market.

The group will be relying heavily on its overseas operations this year, because North American losses are likely to reach $1bn as Ford grapples with a declining share of a declining car market at a time when it must continue to spend heavily to keep pace with legislation on fuel-economy, pollution controls and safety.

Mr. Donald E. Petersen, executive vice president, Ford International Automotive Operations, said yesterday "Competition outside North America is hotting up, but Ford is more than holding it own. Our aggressive investment and product plans should ensure that we retain our leadership position abroad."

In 1979, Europe and Latin America made the major contributions to Ford's success. The European plants built a record 1.69m cars and trucks.

Mr. Petersen said that the Fiesta, Ford's small car, had been a significant factor in Europe. Some time this month production of Fiesta—"already the most successful car we have ever sold in Europe"—will pass 1.5m cars. The car is assembled in Spain, West Germany and England from components supplied by 16 Ford plants.

In Latin America, Ford's subsidiaries in Argentina and Mexico achieved record sales of both cars and trucks.

Sharpest falls in dollar sector in Eurobond trading

BY FRANCIS GHILÈS

PRICES dropped in all major sectors of the Eurobond markets yesterday. Falls of up to one point were posted on some straight dollar bonds, while the decline in prices was less pronounced in the Deutsche Mark and Swiss Franc sectors.

Three new private placements have just been completed in Swiss Francs and a fourth announced. The Kingdom of Sweden has arranged two equal tranches of a SwFr 200m issue through Credit Suisse. The first tranche runs for five years and carries a coupon of 5¾ per cent while the second runs for six years and includes a coupon of 5¾ per cent. Osterreichische Kontrollbank has completed a SwFr 30m five-year issue which includes a coupon of 5¾ per cent through Swiss Bank Corporation.

Meanwhile Union Bank of Switzerland is arranging a SwFr 40m private placement for the Spanish borrower Autopistas del Mare Nostrum. This issue includes a maturity of four years and a coupon of 6 per cent.

The reason behind this rush of new borrowers appears to be the conviction that with interest rates rising in Switzerland, foreign borrowers will soon have to pay higher coupons on the bonds they arrange in this sector.

Meanwhile the indicated coupon on the DM 150m seven-year public offering for Osterreichische Kontrollbank was increased by ¼ per cent to 8 per cent by the lead manager Deutsche Bank. Investors had proved very reluctant to buy Austrian paper last week, possibly because of fears of the threat that the U.S.S.R. may pose to Austria. Yesterday the bonds were quoted in pre-market trading at a discount of 1½ points, after the coupon had been increased.

A DM 20m seven-year private placement for the Japanese manufacturer of sporting goods, ASICS, is being organised by Commerzbank. The borrower is paying a coupon of 8¼ per cent for this issue which is guaranteed by Tayo Kobe Bank.

The yields offered on the second tranche of the Carter bonds which are currently on offer in the German domestic bond market were announced by the Bundesbank yesterday. The 2½ year notes will yield 8.50 per cent while the 3½ year notes will yield 8.45 per cent. Such yields are slightly below those offered on the first tranche of Carter bonds last November, which were 8.55 per cent on the 2½ year notes and 8.50 per cent on the 3½ year notes. German investors have until tomorrow to subscribe to the notes.

A report of the Financial Times conference, Euromarkets in the 1980s, appears on Page 6

SWISS NEWS

Sharp increase in world turnover for Wienerwald

BY JOHN WICKS IN ZURICH

WORLD TURNOVER of the Wienerwald restaurant and hotel chain reached the equivalent of $889m last year, compared with $581m in 1978. This represents a record and outstrips the December estimate of $850m.

Headed by the privately owned Swiss company, Wienerwald Holding, of Feusisberg, the group is today Europe's biggest single catering concern, operating 497 restaurants and 46 hotels, of which 432 restaurants and 27 hotels are in West Germany.

The marked increase in turnover in the past two years has, however, resulted primarily from expansion in the U.S. Here, Wienerwald took over the Lums Restaurant Corporation, of Miami, with 273 branches in 1978 and the 500-restaurant chain, International House of Pancakes (IHOP), of North Hollywood, last year.

As a result, the group now runs 861 restaurants and one Travelodge hotel in the U.S. It also has operations in Japan, South-West Africa and South Africa.

The U.S. expansion led to a 40 per cent rise in turnover in real terms in 1978 and a further jump of 58 per cent last year, after foreign-currency adjustments. At the end of 1979, Wienerwald operated 1,502 restaurants and hotels and had a labour force of 23,100—double that of a year before. Investments last year reached a record $62.5m. Mr. Guenter Steinberg, deputy head of the group, predicts that 1980 should see the group's highest earnings yet.

Jacobs buys into Coffex

BY OUR ZURICH CORRESPONDENT

COFFEE CONCERN Jacobs has acquired a controlling interest in Coffex, a producer of decaffeinated coffee with headquarters in Switzerland and subsidiaries in four European countries. Coffex last year introduced the Secoffe decaffeination process in which organic solvents are replaced by water.

Jacobs, already the world's third biggest coffee group, recently took control of WB-Holding, which itself owns the Narok and Zebra coffee brands. Hitherto, Jacobs has placed contracts with outside companies for the supply of decaffeinated coffee.

● Banque Gutzwiller reports increased net profits for 1979 of SwFrs 2.76m ($1.73m), compared with SwFrs 2.63m. Dividend is unchanged at SwFrs 40 per share.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices published on the second Monday of each month.

Closing prices on January 21

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alcoa of Australia 10 89	60	89⅝	89⅞	0	−0⅛	11.87
Alex Howden XW 9½ 91	30	75	77	−0½	−2	13.77
Aquitaine Can. 11¼ 85	30	95⅞	96¼	−0⅛	−1⅛	12.51
Australian Res. 9⅞ 84	30	90⅝	91⅛	−0⅜	−1	12.29
Avco O/S Cap. 10⅞ 87	40	81	82	−0¼	−0¾	14.48
Beneficial Fin. 9½ 87	100	87¼	87¾	−1⅜	−2½	12.38
CECA Grad. Rate 12 86	100	95⅞	96¼	−0½	−0⅞	12.92
CECA 9⅞ 99	125	†78¾	79¾	−0⅜	−1⅛	13.03
Canadian Pacific 9¼ 89	50	88⅜	88⅞	−0⅛	−1¼	11.81
Carter Hawley 9⅞ 86	50	87⅞	88⅜	−1⅛	−1⅞	12.54
Comalco Inv. E. 10¼ 91	40	89¼	89¾	−0¼	−1⅞	11.95
Continental Grp. 9⅞ 86	100	88¾	89¼	−0½	−0⅞	12.15
Dome Petroleum 10 94	50	85¼	85¾	−2	−3⅜	12.15
Dominion Bridge 10¼ 84	30	92⅞	93⅜	−1⅜	−2	12.32
EIB 11⅜ 92	80	94½	95	−1⅞	−2⅛	12.62
EIB 10 99	150	84	84½	−0½	−1	12.49
EIB 10⅛ 87	100	90⅞	91½	−0⅜	−1⅛	12.36
EIB 10.15 99	100	85	85½	−0½	−1⅛	12.82
Ekportfin 11¼ 87	50	95⅜	95⅞	−0½	−0⅞	12.24
Export Dv. Cpn. 9⅞ 84	100	90⅞	91⅜	−0½	−1⅛	12.14
Export Dv. Cpn 8⅞ 84	150	92⅛	92⅝	−0⅞	−1	11.92
Finland 9⅜ 89	100	86⅞	87¼	−0⅞	−1⅛	12.37
GTE Finance 9⅜ 89	55	89¼	89¾	−0⅞	−1	11.81
GMAC 9¼ 86	100	87	87½	−1⅞	−2⅛	12.20
GMAC O/S Fin 11 84	100	96¼	96⅜	−0⅜	−1⅛	11.97
Gould Int. Fin. 9¾ 85	50	91⅛	91⅝	−0½	−1	12.06
ITT Antilles 9½ 89	75	86¼	86⅜	−0⅜	−0⅛	11.97
Kennecott Int. 9½ 86	100	86⅛	86⅝	−0⅞	−1	12.74
Manitoba 9½ 89	75	84⅛	84⅝	−1¼	−2⅛	12.44
Michelin 10 94	125	87¼	87⅝	−0⅜	−1	11.84
Nat. Ocs. Telecm. 9½ 86	100	89⅜	89⅞	−0⅛	−0⅛	11.87
New Brunswick 9⅞ 84	75	84⅝	85⅛	−0⅞	−1⅞	12.02
Newfoundland 10 94	50	87½	88	−0½	−1⅜	11.87
Norges Komm. 9⅞ 99	100	83⅞	84⅞	−0⅜	−1	12.33
Norway 9½ 84	150	91⅞	92⅛	−0⅜	−1	12.00
Nova Scotia Pwr. 9⅞ 89	50	86⅛	86⅝	−1½	−2½	12.23
Occidental Fin 10¼ 84	50	83⅛	84	−0¾	−0⅞	12.18
Orient Leasing 9½ 86	25	87⅞	88⅜	−0⅛	−0⅛	12.27
Pennwalt O/S F 9¾ 84	25	81⅛	91⅞	−0⅜	−1⅛	12.39
Pepsico Cap. 9⅞ 84	100	91⅞	92⅛	−0½	−0⅞	11.84
Quebec Hydro 10 99	75	84⅛	84⅝	−0½	−2	12.09
Sears Roebuck 9 82	150	93⅜	94⅛	−0⅜	−0⅞	12.53
Sinsoil 9⅜ 89	100	87½	88	−0⅜	−1⅛	11.81
Sweden 9⅜ 89	100	86⅜	87⅛	−1½	−2	12.17
Sweden 9½ 86	200	89⅞	90⅛	−0⅛	−0⅞	12.15
Sweden 9⅞ 84	100	92⅛	92⅝	−0¼	−1⅛	11.97
Unilever NV 9⅞ 87	100	87⅛	87⅝	−0⅜	−1⅜	11.83
Warner-Lambert 9 84	100	90⅝	91⅛	−0½	−0½	11.63

Average price changes On day −0⅛ on week −1⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev. Bk. 8 87	100	97⅛	98⅛	+0¼	−0⅛	8.40
Argentina 7½ 89	150	92⅛	93⅛	−0⅛	0	8.66
Asian Dev. Bk. 7¾ 89	100	93	93⅜	+0⅛	−0⅜	8.27
Barclays O'seas 0⅜ 89	100	91⅜	92⅛	0	−1⅛	8.00
Brazil 8 87	150	92⅞	93⅜	−2	−3	9.32
CECA 7 91	190	93	93⅜	0	−0⅜	7.90
Council of Eur. 7¾ 89	100	94⅞	95⅜	+0⅛	−1⅛	8.03
EEC 7⅞ 94	225	97⅛	98	+0⅛	−0½	8.15
EIB 7⅛ 89	200	96⅞	97⅛	−0⅜	−0⅜	8.00
Finland, Rep. of 8 86	150	98⅛	98⅝	+0⅞	−0⅛	8.31
Kobe, City of 7⅞ 89	150	96⅞	97⅜	0	−0⅞	7.56
Mitsubishi Chem 6½ 84	70	97⅛	97⅞	+0⅞	+0⅞	7.19
Nedor Gasunie 8 86	100	102⅞	102⅞	−0⅛	−0⅞	7.51
New Zealand 7⅞ 87	200	95⅛	96⅛	0	−1⅛	7.78
Nippon Kokan 6⅞ 84	100	93⅞	94⅜	[illegible]	−0⅛	8.10
Nippon Tel. & T 5⅜ 87	100	85⅜	86⅛	+0⅛	−1⅜	8.17
Norges Komm. 7⅞ 91	150	98⅞	99½	−0⅞	−1⅜	7.86
Norges Komw. 8⅞ 94	150	†100⅞	101	−1⅜	−1	8.17
Norway 6¾ 84	200	96⅛	97⅛	0	−1	7.13
OKB 8 87	40	89⅜	89⅞	−0½	−0⅜	8.17
OKB 7¾ 89	100	96⅜	97⅜	0	−0⅞	7.82
Tokyo Elec. Pwr. 8½ 85	200	93⅜	94	−0⅜	−1⅜	8.02
World Bank 7⅞ 91	400	85⅛	96	0	−1⅜	8.35
World Bank 7⅞ 90	250	97	97⅜	+0⅛	−0⅞	8.27

Average price changes... On day −0⅛ on week −1

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Argentina 5⅛ 89	80	94	94½	0	0	6.32
Aumar 5 89	80	90	90⅜	+0⅞	−4⅞	6.42
Australia 3⅞ 89	250	91	91⅛	−0⅞	0	4.84
Bergen, City of 4¾ 91	40	95⅞	86⅜	−0⅞	−1⅛	6.31
BNOE 5 89	75	84⅜	85⅜	−2	−3⅛	7.23
BMW Overseas 4⅛ 91	100	92⅜	92⅝	−0⅛	−2⅞	5.11
Caisse Nat. Tele. 4⅞ 89	100	†94	94½	−0⅜	−1⅛	5.19
Canada 3⅞ 89	300	92	92⅛	−0⅜	−0⅜	4.80
Copenhagen 4½ 91	60	92	93⅛	−0⅜	−1⅜	5.29
Council of Eur. 5 89	100	†95¼	95⅜	−0⅞	−0⅞	5.01
EIB 4½ 91	100	86	86½	−3	−8⅛	6.21
EIB 4⅞ 84	100	83⅜	83⅞	−1⅞	−4⅞	6.11
Elec. de France 4⅞ 89	100	93	93⅜	−1	−4⅜	5.29
GZB 4⅞ 89	100	90⅝	91⅛	0	−0⅜	5.46
Hilti 4⅜ 91	35	†95	95⅞	−0⅜	+0⅞	4.78
ICI Fin. NV 3⅞ 94	230	79½	80	−0⅞	−2	5.81
Int.-Amer. Dev. 4½ 89	100	90	90⅜	−0⅛	−1⅛	5.84
Malaysia 5 89	80	89⅜	89⅞	−0⅜	−2⅛	6.08
Nippon Tel. & T. 4⅜ 89	100	94⅜	94⅝	−0⅞	−1⅜	4.98
Nordic Bank 5 89	45	86⅞	86⅞	−3⅜	−4	6.48
Norges Komw. 4⅜ 91	100	89	89⅞	−1⅛	−2⅞	5.66
OKB 3⅞ 91	100	83⅛	83⅞	−0⅜	−0⅞	5.80
OKB 4⅜ 91	100	89⅜	89⅞	+0⅛	−0⅞	5.64
Oslo, City of 4¾ 91	100	88⅜	88⅞	−0⅛	−0⅞	5.71
Shikoku El. Pwr. 4⅞ 89	100	92½	93	−2⅜	−4⅞	5.78
Spain 4 91	100	87⅞	87⅞	0	−0⅞	5.56
Steweag 4⅜ 91	80	91	91½	−1⅜	−5⅞	5.87
Voest-Alpine 4⅞ 89	80	93½	94	−1⅛	−5⅜	5.82
World Bank 4⅞ 89	100	86⅜	87⅛	−0⅞	−0⅜	5.02
World Bank 4⅞ 89	150	90⅜	91⅜	−2⅛	−3⅛	5.57
World Bank 4⅞ 91	100	91	91⅜	−0⅜	−2⅜	5.86

Average price changes... On day −0⅜ on week −2

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 5.6 83	30	90⅜	91	0	0	8.87
Australia 6⅞ 88	20	85⅜	86⅛	−0⅛	+0⅜	8.87
EIB 7⅜ 89	12	97⅜	98⅜	−0⅜	0	8.01
Finland 5.6 83	10	89⅞	90⅜	−0⅞	0	8.85
Finland 6.8 88	10	87½	88⅛	−0⅜	0	8.96

Average price changes... On day −0⅛ on week 0

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Avco Fin. 10¼ 86 C$	25	88	88⅜	0	−0¼	13.03
Bell Canada 10⅛ 86 C$	60	92½	93	−0⅜	−0½	12.37
Cr. Foncier 10⅞ 84 C$	30	90⅛	91⅛	−0⅜	+0⅜	13.07
Ex. Dev. Cpn. 10 84 C$	50	92¼	92¾	−0⅞	−0⅜	12.30
Fst. Can. Inv. 10 84 C$	50	90⅜	91⅜	0	−0⅛	12.90
Hudson Bay 10½ 89 C$	60	89⅜	90⅜	+0⅛	−0⅛	12.35
Quebec 10⅞ 86 C$	50	90⅞	91⅜	−0⅛	−0¼	12.38
R. Bk. Canada 10 86 C$	40	91⅜	92⅛	0	−0⅞	11.87
R. Bk. Canada 10 84 C$	40	84¼	85⅛	0	−0⅜	12.25
Copenhagen 8⅜ 91 EUA	20	98⅜	99⅜	0	0	8.84
M. Bk. Denmk. 9 91 EUA	25	†95¾	96⅜	+0⅛	−0⅞	9.53
SOFTE 8⅜ 89 EUA	40	88½	89½	−0⅞	−0½	10.13
Algemene Bk. 8⅜ 84 Fl	75	97½	98	0	+0⅜	8.84
Amev 8½ 86 Fl	75	97⅞	98	−0⅛	−0⅞	8.95
Ned. Middbk. 8⅜ 84 Fl	75	97⅜	97⅞	+0⅛	+0⅞	9.01
Norway 8⅜ 84 Fl	100	96	96½	0	0	9.37
Norway 8⅜ 84 Fl	100	96	96½	0	0	9.25
Rabobank 9 84 Fl	25	101	101½	0	0	8.68
Air France 11 84 FFr	120	97⅞	98⅜	0	−0⅜	11.50
Euratom 9⅞ 87 FFr	150	85⅛	86⅛	0	0	12.73
Finland 11 84 FFr	80	95⅜	96⅛	0	+0⅜	12.24
Finland 11½ 89 FFr	70	94⅞	95⅞	0	0	12.46
Gaz de France 11 84 FFr	150	97⅛	98⅛	+0⅛	+0⅞	11.61
IBM France 11⅞ 84 FFr	120	97	97⅜	+0⅜	+0⅞	12.61
Renault 9⅞ 85 FFr	100	88⅛	89⅜	0	0	12.58
Saint-Gobain 9⅞ 85 FFr	130	85½	86⅛	+0⅛	0	13.11
Solvay et Cie 9⅞ 87 FFr	125	82⅜	83⅜	−0⅜	+0⅛	13.49
Total Oil 9⅞ 87 FFr	150	83	84	0	0	13.05
EIB 11½ 91 £	25	87⅜	88⅛	+0⅛	−1½	13.67
Finance for Ind. 13 91 £	15	95⅜	96⅛	+0⅛	−0⅜	13.68
Fin. for Ind. 12⅞ 89 £	30	94⅛	95⅛	0	+0⅞	13.43
Gen. Elec. Co. 12⅞ 89 £	90	95⅜	96	+0⅛	+1	13.34
Indonesia 8⅜ 91 KD	7	†93½	94	0	0	9.88
Mitsubishi 7½ 84 KD	10	†95⅞	95⅞	0	0	8.69
Norges Kom. 7½ 89 KD	12	†93⅞	93⅞	0	0	8.51
Occidental 8½ 91 KD	7	†90⅜	90⅜	0	0	9.65
Akzo 9⅜ 81 LuxFr	500	94⅞	95⅞	0	0	10.12
Euratom 8 87 LuxFr	500	90⅜	91⅜	−0⅛	0	9.74
Euratom 9⅜ 88 LuxFr	500	99⅜	100⅜	0	0	9.79
Oslo, City of 8 83 LuxFr	500	90⅜	91⅛	+0⅛	0	8.54
Volvo 9⅜ 87 LuxFr	500	97⅞	98⅞	−0⅜	0	10.05

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Allied Irish Bk 5¼ 87	0⅛	98⅛	98⅝	2/7	15⅛	15.36
Banco di Roma Int 6 87	0⅜	99⅜	100⅛	28/4	15⅜	15.75
Banco Urquijo 6 85	0⅜	97⅜	97⅞	21/3	13⅜	13.72
Bank of Ireland 5⅞ 89	10⅛	97⅞	98⅜	21/2	15.69	16.05
Bank of Tokyo 5⅞ 89	10⅛	97⅞	98⅜	25/1	16.19	16.54
Barclays O/S Inv. 5 90	0⅛	97⅜	97⅞	13/6	14⅛	14.62
Bergen Bk A/S 6 89	10⅞	95⅜	96⅜	29/2	14.31	14.89
Bque. Indo Suez 5¼ 89	0⅜	90⅜	98⅜	11/7	14.69	14.93
Citicorp O/S F. 6 94	†0⅛	98⅛	99⅛	6/3	14.44	14.60
Citicorp O/S F. 89	§10	99⅞	100⅜	23/2	15⅛	15.14
Citicorp O/S F. 84	§10	99⅜	99⅞	29/2	15	15.08
Co-operative Bk 6 86	0⅛	97⅜	98⅛	15/5	15.06	15.37
Creditanstalt 5½ 91	§10⅛	97⅛	98⅛	14/3	14⅞	15.16
CNT 5¼ 86	§0⅜	99⅛	100	15/4	15.19	15.23
CZB 5½ 89	10⅜	98⅜	98⅞	1/2	10.19	15.41
Jugobanka 6 89	0⅞	93⅞	94⅜	23/5	16	17.00
Ind. Bank Japan 5⅞ 87	0⅛	97⅜	97⅞	15/4	14⅛	14.63
LTCB Japan 5⅜ 86	0⅛	97⅜	97⅜	13/6	14⅛	14.60
LTCB Japan 5½ 89	0⅛	97⅛	97⅝	7/8	14.19	14.57
Mitsui Fin. O/S 5⅞ 94	10⅛	90½	89	29/2	13.81	13.99
Midland Intl. Fin. 5 93	0⅛	99⅞	100⅛	20/6	15	15.02
Nacional Fin. 6⅜ 86	0⅛	97½	98	25/1	11½	11.76
Nat. West. 5⅜ 94	§0⅛	97⅜	98⅜	11/4	14.94	15.22
Nippon Cred. Bk. 5½ 86	0⅛	97⅜	97⅞	12/7	14.44	14.79
Royal Bk. Scot. 5⅜ 94	§10⅛	98⅛	98⅜	11/4	14⅞	14.85
Soc. G. de Bqu. 5⅛ 87	0⅛	98⅜	98⅜	3/4	13⅞	13.73
Sogenal 5⅜ 89	§0⅛	98⅜	97⅛	13/7	14.44	14.90
Sweden 5⅜ 91	10⅛	97⅞	97⅜	18/1	15	18.36
TVO Pwr. 3 91 (D-lock)	0⅞	97½	97⅞	24/5	15.31	15.69
Williams & Glyn 5⅜ 91	0⅜	96½	97⅛	14/3	13	13.42
Bq. E. d'Alg. 4⅜ 89 SF	0⅞	95⅛	96	10/0	6.89	6.98

Average price changes On day 0 on week +0⅛

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
AGA Aktiebolag 7⅞ 80	10/79	145	99½	100⅛	−0⅞	−3.58
Alcan Int. Fin. 9⅞ 94	1/80	40	92⅞	93⅜	0	15.04
Asahi Optical 7 94	11/79	605	92⅜	93½	−1⅞	8.88
Canon 6⅞ 94	8/79	570	102	102⅞	−0⅛	1.94
Ciba-Geigy O/S F 4 94	9/79	675	87	88⅛	−0⅞	−2.67
Credit Suisse 4⅞ 93	10/79	1325	110⅜	111⅛	+0⅛	−0.01
Daiei Inc. 6⅞ 94	11/79	1020	96⅜	97	0	7.65
Esselte 7⅜ 99	9/79	160	93½	94⅛	−0⅛	0.79
Honda Motor 5½ 89	5/79	532	104⅞	105⅞	0	1.62
LPC Internatl. 8 89	8/79	35	108⅜	109½	−0⅜	0.94
Meidensha Elec. 7 94	12/79	210	91½	92½	−2⅞	18.43
Mitsubishi Cp. 6⅞ 94	10/79	804	122⅞	123⅜	−2⅞	2.54
Nippon Seiko 7⅞ 94	12/79	329	93⅜	94⅜	+0⅞	8.23
Nitto Elec. Ind. 6 94	7/79	735	78	79½	−0½	10.06
Toshiba Cor. 7⅞ 94	10/79	198	95⅜	96⅛	−0⅞	3.08
Union Bk. Switz. 5 89	2/80	125	111⅞	112⅜	0	5.03
Fujitsu 5 84 DM	7/79	475	97⅛	98⅛	−0⅛	17.70
Kansa Elec. 4 84 DM	4/79	1234	85⅜	86⅛	−0⅛	49.67
Tokyo Ld. Co. 4 86 DM	4/79	482	77⅜	78⅛	0	47.44
Uny Co. 6½ 85 DM	11/79	1071	86⅞	98⅜	−0⅜	17.58

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL COMPANIES and FINANCE

L'Oreal to create major new French drugs combine

BY TERRY DODSWORTH IN PARIS

A LARGE NEW French pharmacenticals group is heing created by L'Oreal, the cosmetics company, by bringing together its interests in two manufacturers, Synthelabo and Metabio-Joullie.

The merger follows only a few months after the emergence of Sanofi, a group which was similarly developed out of the amalgamation of tha activities of Elf Aquitaine, the oil company, in this area.

Both groups seem to have been responding in some degree to the need to reduce costs for pharmaceuticals and to governmant pressure to streamline the industry to help check the escalation of spending on the state medical services. At the same time, L'Oreal, one of the largest cosmetics manufacturers in the world, is aiming to develop the pharmaceuticals group overseas.

L'Oreal's announcement came just after it took control of Metabio-Joullie, a company which was itself created through a merger only three years ago.

The plan is to Integrate Metabio-Joullie's activities with those of Synthelabo, in which L'Oreal has a 50.6 per cent atake, to create a group with a turnover of about FFr 1hn ($244m) in pharmaceuticals and FFr 1.5bn overall.

Total employment of the new company will be about 3,700, and it will be ranged third in the Freoch industry behind the interests of Rhone-Poulenc, the chemicals group, and Sanofi.

The two organisations hrought toether by L'Oreal seem to be largely complementary. Synthelaho, which has a turnovar of FFr 669m and a consolldated profit of FFr 31m, specialiaes in products for treatment of heart and arterial diseases. It also has a bealthy bnsiness in bospital materiala.

Metablo-Joullie, on the other hand, with a turnover of FFr 500m and profits of FFr 18m, has a more varied product line, including asplrin, drugs sold to the general public through chemists' shops and a range of veterinary, cosmetic and dietary items.

● A new cross-frontier watch and clock manufacturing group, whlch will combine the interests of Matra of France and VDO of West Germany, is to he launched at the end of this month.

The craation of the company follows the elaborate reorganisation of Jaeger, the French vebicle instrumentation and watchmaking group in which VDO used to have the controlling stake. Under this restructuring, Matra also became a leading shareholder in Jaeger, holding half of a 51 per cent majority stake with VDO.

The French and German companies bave now decided to extend the area of common action to all their watch and clockmaking activities. This will mean bringing togetber a number of companies which have now been regrouped under Jaeger—Jaz, Yema, Bayard, and Garant—with the VDO interests in International Watch and Saphir.

Earnings increase sharply at APM

By John Rogers in Sydney

AN AGGRESSIVE policy of expansion by takeover, and penetration of forelgn markets bas enabled Australian Paper Manufacturers, the msjor pulp and paper group, to boost its interim earnings 80.7 per cent from A$10.5m to $A18.9m ($U.S.21m), in the half-year to December 31.

Group sales rose 34.5 per cent, from $A233m to $A314m (U.S.$349m), while pre-tax profit jumped from A$14.1m to A$31.2m.

The interim dividend is lifted from 4 cents to 5.50 cents, covered by earnings of 11.80 cents a share, compared with 6.5 cents. The directors expect that the final dividend will "at least be maintained at 7 cents a share."

Contributing In varying degrees to the result were newly-acquired automotive parts groups, Brown and Dureau and A. J. Dawson, the fibre packaging group Tasman UEB Holdinga, and the discount store operator, Maxwell Electrical Retailing.

On the traditional paper products side, the company increased domestic sales by 16 per cent to A$162m on 10 per cent higher prodnetion. But more important to the gronp was the performance of the international division, whlcb recorded sales of 37,800 tonnes of paper and paperboard—well above the figure for the entire previous 12 months. The main gains in this sector came from a large order for pine logs from the Philippines and a 9,000-tonne prodnct sale to China.

Directors point out they expect to continue their present rate of exports in the current balf-year. However, they caution that the present rate of profit growth will not he maintained in the second half.

As a hint of things to come, the directors also add that they are "examining a number of other projects with a view to enlarging APM's international activities."

APM reveals that it has arranged further borrowings totalling A$15m through the private placement of debentures and has negotiated a term loan from the Australian Resources Development Bank througb the National Bank which will go some way to funding the group's extensive restructuring and expansion plans at its pulp and paper plants.

MOTOR-IBERICA

Nissan purchase breaks new ground

BY RICHARD C. HANSON IN TDKYD AND RDBERT GRAHAM IN MADRID

NISSAN MOTOR Company, the maker of Datsun cars and trucks, has made the largeat capltal investment so far by a Japanese mntor company in a European motor manufacturer. The price of the 36 par cent share of Motor Iberica, of Spain, scquired by Nissan from Massey-Ferguson was just over $40m, it was revealed yesterday.

Discussions are being held also, on how Nissan migbt cooperata (or tie up) with the Spanish Goveroment - owned haavy truck producer, ENASA, which has fallen info financial difficulties.

Nissan had been trying for several months to conclude the purchase of Massey-Ferguson's share in Iberica. Its immediate goal is to use Iberica, the truck maker and Spain's largest agricultural machinery manufacturer, as a base to produce its own trucks for the European market (after Spain joins the Common Market). Such assembly, however, is not expected tn start for nine nr two years.

Eventually, the Spanish company could serve as the basis for producing passenger cara for Europe. The opening of this prospect bas caused surprise in Spain.

Several other major motor manufacturers had been approached on the question of acqniring a stake in the Spanish company. Among them waa Toyota, Japan'a largest motor manufacturer, which decllned to consider the offer.

Toyota says that lt ia conducting a feaslbility atudy on the setting up of an assembly plant in Spain, but that no decision on this project has been taken yet. Toyota became the first since last year to strengthen its Japanese company to acqulre a stake in a Enropean motor manufacturer a decade ago when lt bought into a knock-down assembly operation in Portugal. The scale of this venture is small, however, and the Toyota atake is only 27 per cent. Nissan's stake ln Iberica would thus appear to give it a lead over Toyota so far aa European involvements are concerned.

The Nissan-Motor Iberica deal does not require Spanish Government approval—but the Government could have opposed thla Japanese entry had it wished to do so.

Motor Iberica manufactures ooly ligbt industrial vebicles, mainly under the Ebro mark, in addition to its hetter-known agricultural equipment. The company does, however, have a wide product range and enjoys a reputation for aggressive management. Turnover in 1978 was Pta 41.8bn ($633m), nf whicb 30 per cent was accounted for by exports. Industry sources said that tbey would be surprised if Nissan contented ltself with a minority stake, especially lf lt were to invest in saloon car production aimed at the European market.

The Nissan purchase scotches the project, once pressed by Motnr Iberica itself, for the state-holding compsny INI, to buy out the Massey-Ferguson stake.

Reports of Nissan's interest ln the loss-making heavy vehlcle manufacturer, Enasa, are a new development. For over 18 months INI haa heen trying to sell off its 67 per cent stake in the company, but desplte numerous multinationals showing interest, no agreemeot has heen reacbed.

Nissan has moved quickly non-equity involvement with motor companles in Europe, seaking technical agreements ln Italy, France and elsewhere. Nissan at present uses local companies in Portugal and Ireland to assemble cars and trucks but the local content of theae vehicles is not high eoough to qualify as "non foreign" ln the Common Market.

Nissan and Toyota are facing atrong pressure to establish manufacturing presences in the U.S., and both companies appear likely to make a move ln this direction within the next year or so. In the meantime, the smaller motor manufacturer, Honda, has gained a lead over both Japanese giants by announcing plans to build a car assembly plant in the U.S. and hy signing an agreement to build a car in co-operation with BL at BL's Cowley works.

Strong advance by Alcoa Australia

BY OUR SYDNEY CORRESPONDENT

ALCOA OF AUSTRALIA the in*tegrated Australian aluminium* group, boosted profit by 56 per cent from A$60.9m to A$94.9m (US$105m) in the year to December 31, and has revaluad its fixed assets to show an increase of A$125m.

Total assets of the group now stand at A$1.28hn, up A$282m following a year in which the group bas uodertaken a widespread expansion to meet expected world demand for its products later this decade.

However, Sir Arvi Parbo, the cbairman, yesterday pointed out that the latest result, though impressive, represented ooly 15 per cent, against 12 per cent previously on shareholdera' funds and a meagre 8 per cent, comparad with 6 per ceot, on average total assets.

He said that domestic and overseas markets for alumina and aluminium were strong tbrougbout the year, with total sales revenue rising 38 per cent, from A$472m to A$650m. Alnmina exports accounted for most of the increase. Overall 80 per cent of total revenues were ohtained from export sales.

Pointing to the need for increased capacity, Sir Arvi said that all plants had achieved record production to meet market requirements. Although this had also improved plant efficiencies, aome of the benefits bad been eroded by "substantial coat increases, including those for fuel oil supplied to the Kwinana and Pinjarra alumina refineries."

Capital expenditure during the year totalled A$91m agaiost A$53m, with a large part of the funds going to the construction of a third potline at the Point Heory smelter in Victoria and tha new Wagerup refinery in Western Australia.

The eompany has embarked on a A$700m-plus expansion programme in Australia including the new WA plant, expanslon of the Point Henry facilities and tbe construction of a new smelter at Portland on the Victorian coast. A credit line of A$464m has been arranged by a consortium of hoth local and international banking syndicates to help pay for the expanslon programme.

Explaining the A$125m revaluation, the dlrectors pointed to the effects of Inflation and the fact that the last revaluation was done in 1977. They said: "The revaluatioo ensures the company accounts properly state the replacemeot cost. The 1979 profit result was not affected hy revaluation, but bigber depreclatioo charges will apply from 1980."

Export-led recovery for Aiwa

BY RICHARD C. HANSDN IN TOKYD

AIWA COMPANY, which ls huilding a mini-components stereo plant in South Wales, reported a dramatic recovery in earnings last year on the strength of its revised export policy and a mucb weakened yen.

Net profit for the financial year to November 30 came to Y244m (about $1m), against a year earlier loss of Y483m. Foreign exchanga profits of about Y1hn were made on exports, wbich counted for 45 per cent of all sales.

Overall sales were up 21.7 per cent to Y38.5bn, after suffering a 14 per cent decline in 1977-78. Exports rose 20.5 per cent.

Aiwa, which has hecome a leading aeller of mimiaturised stereo equipment as well as radio-cassette recorders, last year turned its efforts towards huilding up its markets in Europe and the U.S. with striking results. Sales in Europe and America rose 53 per cent to capture a 65 per cent sbare of all the company's exports, compared with only 51 per ceot the previous years.

The company in effect lessened its dependenca on sales in the Middle East, particularly Irao.

Aiwa's effort to consolidate its gains in the industrialised market is illustrated hy a decision taken last year to huild its first European manufacturing plant, in South Wales. Production is scheduled to hegin in June this year. The initial capital Investment will be £400,000 hut this could rise to around £2m after two or three years of expansion. Some 60 people will be employed at the start.

Net aarnings this year are expected to rise to Y800m, on an 11.6 per ceot sales increase to Y43hn. This would be the hest earninga performance since 1975-76.

Aiwa is an affiliate of Sony Corporatioo, whlch owns more than 50 per cent of Aiwa's shares. The compaoy, however, prides itself ln acting independently of its parent.

Narrower profit margins at Ciba Geigy

BY JOHN WICKS IN ZURICH

TURNOVER of Swiss chemical group Ciba-Geigy rose hy 11 per cent last year to SwFr 9.89ho ($6.2bn), or by 17 per cent in terms of local currencies.

According to tbe parent company, the growth of turnover is "not fully reflected" in profits. The company attrihutes this to the effect on margins of worldwide cost inflation, limited opportunities to adjust selling prices, and the renewed strength of the Swiss franc.

In the major sectors nf activity, the pharmaceutical division improved its sales hy 7 per cent to SwFr 2.73bn, while turoover of the agricultural division weot up hy 8 per cent to SwFr 2.08bn. A marked rise, of 22 per cent to SwFr 1.99bn, was booked hy the plastics and addltives division, due partly to acquisitions. Increased demand from the textile industry led to an 8 per cent Increase—to SwFr 1.86bn—turnover of the dyestuffs and chemicals division.

Elsewhere, sales of the photographic subsidiarles beaded by the Ilford company in the UK and the Gretag CX group hased ln Switzerland and the U.S. went up 10 per ceot to SwFr 600m. Turnover of the Airwick group improved hy 20 per cent to SwFr 470m.

● Interfood which owns the chocolate concerns Suchard and Tobler, has acquired a minority stake in the Belgian company, Chocolaterie Callehaut. Callebaut's turnover was BFr 2.83bn ($100m) in 1978 and net profits were around BFr 90m.

Norwegian shipping line below expectation

BY FAY GJESTER IN OSLO

NORWAY'S largest shipping group, Wilh. Wilhelmsen, says operating profits last year were lower than expected, due mainly to delayed dellveries of sbips, costly conversions of the group's oil rigs, and periods of underemployment for parts of its fleet.

What it describes as the "primary operating result" before depreciation amounted to just under NKr 300m ($61m) compared with NKr 325m in 1978. This was less than was needed to cover capltal costs.

Profits improved in the fioal quarter, however, particularly for tankers and bulk vessels. The group expects this trend to continue in 1980, because most of the bulk and rig fleet bas been chartered at improved rates, while the group's tankers are employed on satisfactory charters for the first part of the year.

Gross freight earnings reached NKr 2.2bn about the same as in 1978. Finance has been arranged for all the new vessels taken over last year, as well as those under construction. The second band value of the fleet rose considerably during 1979, improving the relationship between aggregate mortgage obligations and the fleet's total value.

● A leading Norwegian insurance group, Vesta, has bought out a shipping company's stake in Saga Petroleum, the Norwegian private enterprise oil company, backed by about 90 of the country's financial, skipping and industrial concerns. The purchase makes Vesta one of the two largest sharehblders in Saga—the other being the Slg. Bergesen d.y. shipping group.

ANZ foresees year of consolidation

BY OUR SYDNEY CORRESPONDENT

THE ANZ Banking Group expects to receive no significant contribution to this year's results from the recently-acquired Bank of Adelaide. Sir Ian McLennan, the chairman, told the annual meeting in Melbourne that it would be a year of consolidation, bnt that another good result could be expected.

Last year the group lifted profit from A$76m to a record A$107m (US$119m). This enabled the bank to pay a 12 cents final dividend, making 22 cents for the year.

On the Bank of Adelaide, Sir Ian indicated that there were many prohlems to be sorted out—within the bank, which has extensive exposure to real estate loaos through its wbolly-owned finance subsidiary, Finance Corporation of Australia: "It is not expected to be a significant contrihntor to group earnings," he said, but added thst in the longer-term "directors are confident the two banks will form a successful partnership, particularly in Sonth Australia where we are now the domlnant hanking group."

Commeoting on the over-all outlook for the Australian economy, Sir Ian said that some upward adjustment to lending rates seemed inevitahle, but be doubted that this would be sufficient fully to recover increases in banking costs. He described the year abead as difficult, but said that the management was endeavouring to cootrol costs and expand the group's income base.

Amsterdam bourse may revise OTC rules

BY CHARLES BATCHELOR IN AMSTERDAM

THE AMSTERDAM Stock Exchange has begun a study of ways of tightening up the regulations governing the over-the-counter (OTC) market in unlisted stocks.

At present, the Dutcb secondary market is governed by rules drawn up by two Dutch brokers, Broekman's Commissiebank, and D. W. Brand. The prospect of a revised stock exchange law in the Netherlands, as well as of tougher EEC legislation for secondary markets, bas prompted the exchange association to carry out a thorough *review of* the market.

The seven-man commission, on whicb representatives of the banks and stockbrokers sit, will look at the role of those stock exchange memhers who specialise in the unofficial market, the way in which transactions are carried out, price movements, and puhlicity requirements.

A tigbtening of the requirements of the secondary market would make lt easier for companiea to move on to the official Stock Exchange. It is not expected to deter companies seeking an unofficial listing, since they generally accept that they will be required to give more information to tbe public, according to Mr. H. P. Quarles van Ufford, of Broekman's.

The publication of company information, as well as more details of price movements and turnover volumes, would encourage more investors to use the secondary market. There may be a need for a two-tier secondary market, with a relatively small number of more actively traded stocks for which tougher regulations apply than the mass of rarely traded stocks. The unlisted market currently lists around 800 stocks, but less than 70 are regularly traded.

The publication of more information would make the secondary market more attractive to investors, aaid Mr. H. J. Gerard, of the Nederlandse Crediethank. The sbarp price movements which occur on the secondary market are often a cause of *concern* to *investors*. Restrictions on price movements, on the lines of those whieb apply to the official market, may be considered.

A two-tier secondary market would make it easier for companies to gradually work their way up to an official bourse listing. The secondary market has auffered in recent years from a lack of new stocks.

● The European Options Exchange (EOE) has signed uo four new market making members wbo will take up five new seats. This brings the total number of outstanding seats on the exchange to 152, which is 13 more than at this time last year.

The new members are Coffeng En Co. Cross Options Bebeer, H. C. Kuyl, and Wiaperience, a company ln which Barclays Bank bas an interest and wbich is taking up two seats.

WORLD STOCK MARKETS

Dow up 5 in active early trade

STOCKS on Wall Street were inclined to move ahead in further active trading yesterday morning, with analysts noting fresh institutional demand.

Institutions with heavy cash positions were showing renewed interest in the stock market, which is performing better than the fixed income market on a total return basis despite very high interest rates.

Buying interest continued to centre on defence issues and natural resource stocks, with the oil group firm again.

The Dow Jones industrial average rose 5.38 to 872.53 at 1 pm, and the NYSE All Common index was up 36 cents to $64.30. Rises led falls by an 8 to 5 ratio on a volume of 32m shares.

In the oil group, Texaco gained 1½ to $33¾, Tesoro Petroleum $1 to $22½, Exxon ⅜ to $55¾, California Standard 1⅜ to $58⅜ and McMoran Oil 1½ to $51½.

Oil service issues gained. J. Ray McDermott gained 1½ to $29⅞. Halliburton 1½ to $90⅞, and Schlumberger ⅞ to $97⅞.

Among the Metals, active Benguet slipped ⅜ to $13¾, but ASA added ½ to $52, Dome Mines ½ to $58½ and Handy and Harman ⅜ to 49½.

Volume leader Schering-Plough, which rose 6¼ last week on news about Interferon, lost 1⅞ to $35. It was the subject of bearish Press comment. Flow General lost $4 to $33½ on the American Exchange. Flow General rose 6⅞ last week on interest in Interferon.

Norfolk and Western gained ⅞ to $29½ and Burlington Northern 2⅞ to $63¼. Norfolk and Western reported lower December-quarter net results, but Burlington Northern's final period results were higher. Bankamerica were unchanged at $25½ despite improved fourth-quarter profits.

THE AMERICAN SE Market Value Index rose 2.43 on heavy trading to stand at 266.89 at 1 pm on a volume of 6.46m shares.

Oil and mining stocks gained. Volume leader Goldfield picked up ⅛ to $2⅞, Aflast Consolidated "B" ⅞ to $7⅞ and Ranchers Exploration 2⅛ to $51⅞. Dome Petroleum put on $1 to $53¼.

Closing prices for North America were not available for this edition.

Canada

Markets put on a fresh show of strength in busy early dealings yesterday, with the Toronto Composite index climbing 14.9 to 1981.6 at noon. The Gold shares index rose 42.7 to 3,107.7, Metals and Minerals 44.9 to 2,116.1 and Oil and Gas 33.8 to 4,010.4. In Montreal papers gained 0.84 to 184.87.

Among Metals, Noranda moved ahead 1½ to C$28 and Falconbridge "A" C$4 to C$112½. In Oils, Texasgulf improved 2½ to C$56 and Hudson Bay C$1 to C$36.

Tokyo

Prices were mainly higher in moderately active trading, helped by buying from foreign investors and major Japanese companies.

The Nikkei-Dow Jones Average was up 16.97 to a record 6,686.27 after volume of 350m shares. The Tokyo Stock Exchange Index closed at 464.24, up 0.16.

Non-ferrous Metals continued higher, reflecting a rise in overseas gold prices, with Nippon Mining rising Y14 to Y300, Mitsubishi Metal Y13 to Y213, and Dowa Mining Y25 to Y504. Pharmaceuticals and some export-orientated issues also closed higher.

Large capital issues rose initially, but closed mixed on late profit-taking. Kawasaki Steel rose Y2 to Y131 and Kawasaki Heavy Industries Y1 to Y152, but Nippon Steel shed Y1 to Y127 and Hitachi Y1 to Y265.

Machine tools, Energy-related issues and Trading Houses also closed mixed after a firm start. Nippon Oil gained Y10 to Y1840 and Arabian Oil Y30 to Y3200, but Mitsubishi fell Y18 to Y756 and Hiba Machine were down Y5 at Y428.

Hong Kong

In fairly active trading, stocks were generally firm, and the Hang Seng Index gained 18.95 to 873.82. Dealers said the market was bullish following the Exchange Banks' Association decision at the weekend not to alter interest rates. In addition, end-year bank results are expected to be good.

Inchcape Enterprises closed HK$1 up at HK$5 on speculation that the parent Inchcape (Hong Kong) may bid for minority interests.

Wheelock "A" gained 7½ cents to HK$4.325 on speculation that Chinese interests are preparing to make a bid for stock, while Hongkong Land rose 30 cents to HK$14.10 on speculation it is seeking HK$1.6bn for the sale of Star House.

Elsewhere, Hong Kong Bank gained 40 cents to HK$19.60, Hang Seng Bank HK$4 to HK$129.00, Hong Kong Wharf HK$1 to HK$75.00, Hutchison Whampoa 15 cents to HK$8.80 and Jardine Matheson 40 cents to HK$16.00.

Australia

Markets closed predominantly higher, with the mining sector attracting the most interest. The Sydney All Ordinaries index rose 14.54 to an all-time high of 838.20, while the Metals and Minerals index moved ahead 205.88 to 5,581.45.

Gold shares continued to advance in line with rising bullion prices, with Central Norseman gaining 36 cents to A$7.20, GMK 10 cents to A$4.50 and Poseidon 15 cents to A$3.05.

MIM gained 6/ cents to A$6.20, Western Mining 20 cents to A$4.62 and Bougainville Copper 23 cents to A$3.40, while Mount Lyell rose 20 cents to A$2.10 and BH South 10 cents to A$5.30.

Peko-Wallsend rose 24 cents to A$8.50 and Queensland Mines 30 cents to A$6.90.

CRA firmed 10 cents to A$5.60, but its Ashton diamond venture partner Ashton Mining lost 8 cents to A$2.90.

Germany

After further weakening in early trading, prices picked up and closed mixed on balance. However, the Commerzbank Index finished 2.2 down at a 1979-80 low of 688.3.

Market observers cited technical reasons for the subsequent recovery, and noted that gains were selective, culminating in an overall mixed performance with most majors only undergoing net changes of DM 1 or less.

BMW shed DM 3.50 in Motors. In Banks, Commerzbank and Dresdner firmed DM 0.70 apiece, but Deutsche fell DM 1.10. Engineerings and Chemicals were narrowly mixed.

In Stores, Horten firmed DM 0.50 and Karstadt unchanged, while AEG and Siemens firmed DM 0.60 in Electricals.

On the Domestic Bond Market, Public Authority issues were mostly easier, showing losses of up to DM 0.35. The Regulating Authorities sold a nominal DM 3.5m of paper against sales of DM 3.8m on Friday.

Paris

Prices were mixed in light trading, but with advances outweighing declines by 92 to 74.

Brokers said investors on the Exchange are tending to follow the lead of Wall Street. The increase in the Call Money rate to 11⅞ per cent from 11¼ per cent would normally have caused a move away from the stock market, they noted.

Oils were among the firmest sectors, with Elf Aquitaine gaining FFr 26 to FFr 1,327 after announcing that it has found traces of oil in South West France.

Most Electricals, Metals, Chemicals and Utilities posted good gains, while Banks, Portfolios, Foods, constructions, Mechanicals and Stores closed mixed.

Closing substantially above Friday's prices were Banque Rothschild, Revillon, Casino, Bouygues, Facom, Club Mediterranee, BHV, Leroy-Somer, Marine-Wendel, BP, Merieux, Generale des Eaux and Imetal. Moving lower were CCF, Pricel, Guyenne, Generale d'Enterprise, Generale de Fonderie and Redoute.

Johannesburg

Gold shares were mixed with an easier bias in fairly quiet trading, with the high Financial Rand again inhibiting overseas interest despite the record London bullion fix yesterday morning.

NEW YORK

Stock	Jan. 18	Jan. 17
[illegible]	[illegible]	[illegible]

CANADA

Stock	Jan. 18	Jan. 17
Abitibi	21½	21⅛
Agnico Eagle	13½	14⅜
[illegible]	[illegible]	[illegible]

BELGIUM (continued)

Jan. 21	Price Frs.	+ or —
Petrofina	5,720	+70
Royale Belge	5,360	+150
Soc Gen Banq	9,765	—35
Soc Gen Belge	1,650	—40
[illegible]	[illegible]	[illegible]

HOLLAND

Jan. 21	Price Fls.	+ or —
ACF Holding	78.2	—1.7
Ahold	81.1	—0.9
AKZO	23.4	+1.2
[illegible]	[illegible]	[illegible]

AUSTRALIA

Jan. 21	Price Aust. $	+ or —
ANZ Group	4.50	+0.20
Acrow Aust	1.00	
Allstate Expl	1.18	
Ampol Pet	1.25	+0.02
[illegible]	[illegible]	[illegible]

JAPAN (continued)

Jan. 18	Price Yen	+ or —
Makita	1,140	+10
Marubeni	326	—1
Marudai	642	
Marui	786	+6
[illegible]	[illegible]	[illegible]

Indices

NEW YORK — DOW JONES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

N.Y.S.E. ALL COMMON

Jan. 18	Jan. 17	Jan. 16	Jan. 15	1979-80 High	1979-80 Low
63.94	63.80	63.95	63.95	63.26 (15/1/80)	53.88 (27/3)

Rises and Falls	Jan. 18	Jan. 17	Jan. 16
Issues Traded	1,908	1,879	1,893
Rises	710	660	798
Falls	802	848	729
Unchanged	396	671	356
New Highs	—	83	191
New Lows	—	12	13

MONTREAL

	Jan. 18	Jan. 17	Jan. 16	Jan. 15	1979-80 High	1979-80 Low
Industrial	350.27	350.24	348.09	347.47	350.27 (18/1/80)	219.18 (2/1)
Combined	329.68	330.22	327.87	326.60	330.22 (17/1/80)	225.38 (2/1)
TORONTO Composite	1966.7	1968.1	1946.8	1944.5	1968.1 (17/1/80)	1316.8 (2/1)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last named based on 1975. † Excluding bonds. ‡ 400 Industrials. § 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Scher - Plough	1,082,100	35⅝	— ⅞	Tesoro	469,200	21¼	+1⅛
Texaco	784,900	32¾	+1⅛	Greyhound	408,000	15⅜	+ ⅜
Benguet	656,400	14¾	—1	Testg. Elec	397,400	24⅜	+1⅛
ISN	650,600	69⅝	+ ⅜	Pittston	393,900	27	—1⅛
Ralston Purina	498,300	12	+ ⅛	[illegible]	[illegible]	[illegible]	—

COMMODITIES and AGRICULTURE

First offer of Russian timber

By A Correspondent

EXPORTLES, the Soviet state selling organisation for forest products, has circulated its first offer of softwood for 1980 shipment to UK importers. Prices averaged over the five main grades show a rise of around 14 per cent. The nominal quantity offered is 330,000 cubic metres. Importers have until January 25 to make their applications. In contrast to the past few years, this year's offer is priced in straight sterling with no special clause linking prices to any other currency.

First reactions from softwood importers were that the timber was competitively priced but that there would not be the same rush to buy that has been seen in the past two years. The absence of a currency clause means that if sterling rises in value then comparative Scandinavian stocks will be cheaper unless there is a continued rise in world prices. The fact that the timber now offered is for July/August shipment—early in trade terms—is a clear indication that a second schedule can be expected at prices which would reflect any subsequent change in world prices.

The Russian selling organisation has already indicated that the total amount of softwood available for sale to the UK this year will probably be around 1.1m cubic metres, a reduction of about 20 per cent on 1979. Bearing this in mind it is expected that after reflection the trade here will take up the full amount of the first offer with sufficient enthusiasm to give sellers the opportunity of adding to the nominal quantity if they wish.

Speculators drive copper price to record level

BY JOHN EDWARDS, COMMODITIES EDITOR

COPPER PRICES surged to new peaks on the London Metal Exchange yesterday after a new wave of heavy speculative buying. Traders claimed that the suspension of trading on the New York silver market — and the subsequent announcement that dealings there would be confined to liquidating existing sales and purchases only — triggered off more interest in the base metal markets.

In any event copper three months wirebars jumped by £85 to a record £1,412.5 a tonne. Even more significantly cash wirebars gained £121.5 to £1,318.5. Although this is below the all-time peak of £1,400 reached in early 1974 it gives credence to reports that some powerful speculators are taking actual delivery of copper rather than just buying "paper" futures.

At the same time the shrinking availability of copper stocks in the LME warehouses was emphasised by yet another decline last week — a fall of 2,900 tonnes cutting total holdings to 120,125 tonnes. Much of these stocks are thought to be in strong hands, and if Middle East speculators acquire large holdings the market could be severely squeezed just like gold and silver.

Other base metals also advanced strongly. Cash tin gained £110 to £7,650 a tonne, despite a sharp rise in warehouse stocks up by 640 to 2,820 tonnes. The announcement by the International Tin Council on Friday that further talks were to be held in February with the U.S. on stockpile sales of tin sparked off fears that the stockpile releases might be delayed once again.

Lead continued its recent recovery in spectacular fashion with the cash price jumping by 40 to £539 a tonne. Warehouse stocks declined by 825 to 16,400 tonnes and there is now a new squeeze on nearby supplies.

Nickel prices rose on renewed rumours, yet to be confirmed, that another producer price increase is imminent. Cash nickel closed £90 up at £3,020 a tonne.

Warehouse stocks of nickel fell by 96 to 6,318 tonnes; zinc stocks too fell by 1,325 to 46,500 tonnes. Aluminium stocks increased by 3,800 to 25,700 tonnes and LME silver holdings rose by 80,000 to 13,020,000 ounces.

Stewart Fleming writes from New York: silver trading on the New York Commodity Exchange (Comex) has been confined to liquidation of existing positions. The Comex Board announced this last night after trading had been totally suspended for most of the day.

The earlier suspension came amid signs of growing concern in the futures markets about the mounting speculation in gold and silver particularly.

On Friday the International Monetary Market of Chicago's Mercantile Exchange raised the margin which investors must put up against a gold contract to $9,000. A year ago it had been $1,200.

The IMM in Chicago has also widened dramatically the limits within which gold can trade on a single day to the point where if the daily limit (which has been increased from $20-50) is repeatedly broken trading can take place on the fifth day without price limit.

These steps raise significantly the risk to traders and are clearly aimed at trying to damp down volatility somewhat. There are fears that the gold market which has risen so dramatically could also fall sharply, perhaps straining traders' finances.

At the beginning of the month Comex introduced new rules aimed at curbing silver speculation.

New peak in sugar market

WORLD SUGAR values climbed to a new 3½-year peak yesterday. In the morning the London daily raws price was lifted £1 to £193 a tonne and at the close the May position on the futures market was quoted at £200.725 a tonne, up £1.375.

Dealers said the continued rise appeared to be influenced by the early advance in gold.

Other soft commodity markets were relatively quiet, however.

Cocoa was unsettled by an announcement in Rio de Janeiro that Brazil has not yet finalised its new crop marketing policy despite freeing 300,000 bags of beans and products for export. The May position ended the day £13 down at £1,437.5 a tonne.

In Accra, meanwhile, the Ghana Cocoa Marketing Board said it purchased 22,848 tonnes of cocoa in the 14th week of the 1979-80 maincrop season ended January 17.

In the 13th week of the season, purchases totalled 22,195 tonnes. Cumulative purchases for the season to date are now 228,890 tonnes.

The latest figure compares with purchases of 11,826 tonnes in the 14th week of the 1978-79 season ended January 11, 1979, and cumulative purchases to that date of 211,595 tonnes.

AGRICULTURAL DEVELOPMENT

Financial wrangles hit farm aid talks

BY A CORRESPONDENT

AT THE third governing council meeting of the International Fund for Agricultural Development (IFAD) most of the interest centred on an issue that was not even on the agenda—the future level of OPEC's contributions to the Fund.

After the announcement last Wednesday from Vienna of the enlargement of the OPEC Special Fund it was hoped that Ibrahim Shihata, its director, would release details of an increase in OPEC's funding of IFAD. But Shihata did not address the meeting which ended with a general resolution, characterised by Jamaica as "weak," committing all member nations to replenish IFAD's funds by an unspecified amount.

Earlier in the four day meeting the U.S. delegate, Thomas Ehrlich, had called upon OPEC countries substantially to increase their contributions to IFAD to take into account "the uniquely favourable circumstances of the oil exporters and the onerous problems created for developing countries unfortunately required to import petroleum." The U.S. statement reflected the feelings of the majority of Western delegates, though OPEC and Third World countries appeared unimpressed.

It was pointed out that any substantial increase in OPEC's contributions would have to be borne by Saudi Arabia, Iran and Venezuela. It was unrealistic to expect increases from OPEC countries such as Ecuador, Gabon and Indonesia when their level of development entitled them to assistance from IFAD. Among the anomalies between the relative contributions of OPEC and the West are Canada's $27m grant to IFAD compared with Nigeria's $26m, and Algeria's $10m grant compared with Australia's contribution of only $8m.

It seems that the position of Iran was the principal cause of OPEC's reticence at the meeting. Under the Shah, the Iranian Government had pledged $125m to IFAD at a time when Iran was producing 6m barrels of oil a day. The Saudis, on the other hand, pledged $105m when their level of oil production was 8m barrels a day.

The Iranians have now reduced oil production to 3.5m barrels, while the Saudi's have stepped up production to 9.5m barrels a day. So a commitment to a specific increase in OPEC funds for IFAD awaits internal agreement on the Iranian issue.

A second problem arising from the Iranian revolution appears to have been solved to the general relief of IFAD delegates. At a group meeting of delegates on Friday morning the Iranian Ambassador informally indicated that Iran had every intention of paying in full the $125m promised to IFAD by the Shah.

When IFAD was initiated in 1976 OPEC put up $400m on the condition that the developed countries would put up $600m. After some six months of wrangling, during which the West hoped for a 50:50 ratio, it was agreed that OPEC should put up 43 per cent ($435m) and the West 57 per cent (590m). In the coming negotiations, now that the principle of replenishment has been endorsed, it is expected that OPEC will revert to the initial proposal of 40:60 while the West will demand a 50:50 ratio. Inevitably a compromise figure will be reached, probably at the existing level of 43:57.

Boycott grain to be bought up

WASHINGTON — President Carter ordered the Federal Government to buy much of the *2.5m tons of maize and wheat* which American longshoremen have refused to load for shipment to the Soviet Union.

The International Longshoremen's Association began a boycott of Soviet crop shipments two weeks ago to protest at the Soviet Union's incursion into Afghanistan.

Mr. Stuart Einzenstat, White House domestic policy adviser, announcing the action said it was being done to relieve congestion at ports and grain elevators and to protect farm prices.

Mr. Eizenstat said the Department of Agriculture would work with grain exporters to divert unshipped grain to fill orders from other countries.

He said any wheat which cannot be switched will be bought by the Agriculture Department's Commodity Credit Corporation for use as part of a 4m ton food security reserves which the President wants Congress to create.

Unshipped maize and soyabeans will be used to expand the U.S. Food for Peace programme which the President will ask Congress to increase by 450,000 tons in the current financial year, ending September 30, and by another 450,000 tons in fiscal 1981.

Agriculture Department officials said the wheat, maize and soyabeans at ports or in trains and barges would stay there unless they could be sold to other export markets.

The CCC would buy offsetting amounts of the commodities at local markets to be used by the food reserve or by the Food for Peace programme.

Meanwhile Brazil has officially informed the Administration that it will not take any measures to stop soya sales to the Soviet Union, but it will not take any specific steps to replace U.S. sales either, the Foreign Ministry said in Brasilia.

The official reply follows a meeting last Monday in Washington between the U.S., Brazil and Argentina where they discussed the U.S. decision to suspend grain and oilseed sales to the Soviet Union.

The Ministry said trade with the Soviet Union would continue normally. Brazil would not place any artificial restraints on its soya sales, nor would it take advantage of the U.S. boycott.

Brazil could have up to 2m tonnes of soyabeans and around 500,000 tonnes of maize for export in the coming marketing year starting in March. Some of this could go to the Soviet Union. Brazil shipped 45,300 tonnes of soyabeans to the Soviet Union last year, 32,000 in 1978, 552,000 in 1977 and 1.16m in 1976.

Reuter

Bank boosts Royal Show

By Our Commodities Staff

CATTLE PRIZES at this year's Royal Show will be increased by about 30 per cent thanks to sponsorship worth £20,000 from the National Westminster Bank. This will bring total prize money for all classes of livestock to nearly £50,000.

The NetWest's money is also being used to hold entry fees at the 1979 level and to improve exhibitors' facilities.

Mr. Arthur Williams, senior executive of the bank's agricultural unit, said in London yesterday that the sponsorship confirmed NatWest's commitment to the agricultural industry.

Malaysia seeks rubber pact headquarters

BRITAIN HAS been asked to back Kuala Lumpur as the prospective site for the headquarters of the new International Natural Rubber Agreement.

The UK Government has been pressing for the Agreement to be based in London. However, at a meeting in Kuala Lumpur yesterday Mr. Paul Leong, Malaysia's primary industries minister, told Mr. Peter Blaker, UK Minister of State for foreign and commonwealth affairs, that Kuala Lumpur had the backing of virtually all rubber exporting members and 44 per cent of the importers.

In Washington, meanwhile, officials at the Federal Emergency Management Agency (FEMA) denied rumours circulating in London and far east markets that the U.S. was planning a near-term supply buildup, specifically in its natural rubber stocks.

French view of EEC farm crisis

BY JOHN CHERRINGTON IN BRUSSELS

MAKING WHAT could well be a tactical retreat from a lunchtime confrontation over lamb with UK Agriculture Minister Peter Walker and the EEC Farm Commissioner Finn Gundelach, M. Pierre Mehaignerie, the French Minister of Agriculture, yesterday gave French TV viewers his view of the present situation in the negotiations leading up to the next Community price review.

As a participant myself on a very vague line from here I watched amazed as with a freedom never granted to any British Minister by the BBC M. Mehaignerie demonstrated with a succession of captions that although the milk production of the Community and its cost had escalated France's own proportionate increase had been much smaller than that, for instance, of Britain and the Netherlands. He took no notice of, or perhaps did not hear, my own contribution to the effect that because France had double the number of dairy cows the French production increase in sheer quantity was a material cause of the surplus.

This production increase, he continued, came mainly from the larger more industrialised dairy farms. The average small French dairy farm of about nine cows had no alternative and any co-responsibility levy such as the Commission is proposing should only apply to the larger and more irresponsible farms in Britain or elsewhere.

It was really a social question, he said, and large farmers could if they felt like it go to cereal production which at present only cost the Community less than a fifth of the cost of the dairy regime.

And what do you think of this Mr. Cherrington," he asked. "Well," I said, "if the Common Agricultural Policy is as you say a social measure should not the excessive costs and their cures be made a national and not a Community responsibility? Our own Mr. Walker," I continued, "had been floating this recently and also several suggestions have been made of having quotas on a national basis so that each country would be responsible for its own surpluses." There was no reply.

I continued: "When are you going to open the market to British lamb?" I got the same answer as Mr. Walker has had on the same subject lately to the effect that it was a social problem and nothing should be done too quickly.

BRITISH COMMODITY MARKETS

BASE METALS

COPPER—Record levels were attained by forward metal in hectic trading on the London Metal Exchange. Forward metal opened at £1,230 and surged ahead to touch a peak of £1,330 around lunchtime as heavy speculative buying more than outweighed heavy trade selling. However, the profit-taking gained the upper hand on the late kerb, where forward metal finally traded at

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Wirebars				
Cash	1295-8	+144	1318-9	+121
3 months	1295-6	+106	1312-3	+85
Settlem't	1298	+145	—	......
Cathodes				
Cash	1254-6	+127	1275-7	+108
3 months	1271-2	+118	1285-8	+88
Settlem't	1266	+128	—	......
U.S. Prod	—	......	*113-25	......

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £1,285, 90, 95, three months £1,273, 78, 80, 75, 70, 72, 71, 72, 73, 75, 77, 80, 82, 83, 87, 86, 85, 84, 83, 85, 86, 88, 89, 90, 92, 95. Cathodes: cash £1,250, 57, 55, three months £1,268, 70. Kerb: Wirebars, three months £1,300, 1,297, 96, 95, 93, 90, 93, 95, 94, 95, 1,300, 02, 05, 02, 04, 05. Afternoon: Wirebars, cash £1,318, three months £1,323, 20, 21, 20, 19, 18, 19, 20, 22, 23, 24, 23, 25, 27, 28, 26, 25, 20, 19, 15, 17, 16, 17, 19, 17, 16, 15, 14, 18, 15, 13. Cathodes: cash £1,275, three months £1,288. Kerb: Wirebars, three months £1,308, 3, 1, 1,300, 1,296, 94, 90, 97, 85, 89, 88, 90, 95, 87, 96, 98, 1,300, 1,298, 95, 98, 96, 97, 98.

TIN—Gained ground following the rise at Penang and the buoyancy of other metals. Forward metal opened at £7,470 but eased to £7,450 owing to the larger than forecast rise in

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	7630-40	+55	7640-50	+119
3 months	7480-505	+115	7530-50	+145
Settlem't	7640	+50	—	......
Standard				
Cash	7630-40	+55	7640-50	+110
3 months	7490-5	+125	7530-50	+145
Settlem't	7640	+50	—	......
Straits E.	$2193	+31		......
NewYork	—	......		......

stocks. However, renewed fresh buying steadied the price in the afternoon and forward metal moved up to close the late kerb at £7,530. Turnover 995 tonnes.

Morning: Standard, cash £7,650, 60, 70, 65, 60, 50, three months £7,440, 50, 60, 50, 70, 80, 90, 7,500, 7,495. Kerb: Standard, cash £7,640. Afternoon: Standard, three months £7,500, 7,495, 7,500, 15, 20, 90. Kerb: Standard, three months £7,520, 30.

LEAD—Sharply higher on short-covering and fresh buying prompted by the upsurge in copper and the initial gain in gold. After opening higher at £497 forward metal ... in the afternoon ... compared the price ... kerb. Turnover ...

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	591-2	[illegible]	[illegible]	[illegible]
3 months	506.5-7	[illegible]	[illegible]	[illegible]
S'ment	589	[illegible]	[illegible]	[illegible]
U.S. Spot	—	[illegible]	[illegible]	[illegible]

Morning: cash £520, ... £497, 98, 98, 500, ... 08.5. Kerb: three ... 13, 15, 16, 18, ... three months £520, ... 24, 25, 24.5, 24, ... Kerb: three months ... 19, 18, 16, 12, 14 ...

ZINC—Higher in line with other base metals, with forward metal moving up to £357 prior to ... at £365. Turnover ...

ZINC	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	351-3	[illegible]	[illegible]	[illegible]
3 months	356-7	[illegible]	[illegible]	[illegible]
S'ment	353	[illegible]	[illegible]	[illegible]
Primw'ts	—	[illegible]	[illegible]	[illegible]

Morning: cash ... £358, 59, 60.5, 60 ... 65, 65.5, 66, 67 ... Kerb: three months ... noon: three months ... 63, 62. Kerb: three ... 64, 65, 64.

ALUMINIUM—Firmer, influenced by the strength of other metals. Forward metal rose to £932 ... around that level ... ginally to close the ... Turnover 5,225 tonnes.

Alumin'm	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Spot	934-5	[illegible]	[illegible]	[illegible]
3 months	930-1	[illegible]	[illegible]	[illegible]

Morning: three months ... 30, 30.5, 32, 34, ... Kerb: three months ... noon: cash £937, ... 33, 34, 33, 31, ... months £927, 29.

NICKEL—Rose ... on an imminent producer price increase. Forward metal opened ... quickly moved up ... easing to £3,090 ... In the afternoon ... copper prompted ... which rose afresh ... kerb at £3,125, ... Turnover 798 tonnes.

NICKEL	a.m. Official	+ or —	p.m. Unofficial	+ or —
Spot	2980-30	[illegible]	[illegible]	[illegible]
3 months	3090-5	[illegible]	[illegible]	[illegible]

* Cents per pound. † On previous unofficial close.

Morning: three months ... 95, 90. Kerb: ... Afternoon: three months ... 20, 30, 35, 40, ... months £3,130, 20 ...

SILVER

Silver was fixed ... lower for spot delivery in the London bullion market yesterday ... U.S. cent equivalents of the fixing levels were: spot $... month $49, down ... $48.721, down $1 ... $49.26, down 82.1c. The metal opened at £20.5-21.4 ($47-49) and closed at £20.8-21.7 ($47½-49½).

CORAL INDEX: Close 455-460 (−2)

LEGAL NOTICES

No. 002602 of 1979
IN THE HIGH COURT OF JUSTICE
Chancery Division
Re:
CONSOLIDATED PLANTATIONS LIMITED
and Re:
THE COMPANIES ACT 1948

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated the 17th day of December 1979 confirming the reduction of the capital of the above-named Company from £70,000,000 to £24,317,654.80 and the Minute approved by the Court showing with respect to the capital as altered the several Particulars required by the above-named Act were registered by the Registrar of Companies on the 20th day of December 1979.

Dated the 18th day of January 1980.
LINKLATERS & PAINES,
Solicitors to the Company.

No. 002601 of 1979
IN THE HIGH COURT OF JUSTICE
Chancery Division
Re:
SIME DARBY HOLDINGS LIMITED
and Re:
THE COMPANIES ACT 1948

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated the 10th day of December 1979 confirming the reduction of the capital of the above-named Company from £100,000,000 to £57,488,102.70 and the Minute approved by the Court showing with respect to the capital as altered the several Particulars required by the above-named Act were registered by the Registrar of Companies on the 20th day of December 1979.

Dated the 18th day of January 1980.
LINKLATERS & PAINES,
Solicitors to the Company.

AMERICAN MARKETS

NEW YORK, January 21.
THE LIVESTOCK complex was limit down or sharply lower following bearish cattle on lead and cold storage reports released late Friday. Grains and soyabeans lost all their early gains and finished with moderate losses. Coffee prices cannot recover from ...

April 39.30-39.15 (39.62), June 42.15-42.00, July 43.15-43.10, Aug. 42.25, Oct. 41.60, Dec. 44.10, Feb. 45.97, April 45.95.

††Maize—March 271-271½ (273¼), May 284-284¼ (286¾), July 232½-293, Sept. 301-300¾, Dec. 308¼-308½, March ...

EUROPEAN MARKETS

... AFL $131, Jan. $130, Feb. $129, Mar. $132, April/June $137.50, July/Sept. $141.50, Oct./Dec. $145.50.

Soyabeans—U.S. Two Yellow Gulfports Feb. $271, Mar. $274.50, April $289.50, May $282, June $288, July $290, Aug. 294, Sept. $295, Oct. $295.50, Nov. 296, Dec. $302.50, Jan. $306.

... 1310/23, May 1300/16, July 1300/25, Sept. 1320/50, Dec. 1335/65, Mar. 1350. Sales at call.

Sugar (FFr per 100 kilos). Mar. 1822/25, May 1839/45, July 1835/55, Aug. 1845/50, Oct. 1858/70, Nov. 1855/75, Dec. 1865/90, Mar. 1870/1900. Sales at call 57.

INDICES

FINANCIAL TIMES

Jan 18	Jan. 17	M'nth ago	Year ago
301.77	297.80	200.60	251.59

(Base: July 1, 1952=100)

MOODY'S

Jan. 18	Jan. 16	M'nth ago	Year ago
1516.3	1494.2	1255.1	995.7

(December 31, 1931=100)

DOW JONES

Dow Jones	Jan. 18	Jan. 15	Month ago	Year ago
Spot	425.66	401.34	422.44	375.51
F'tur's	435.79	420.94	427.40	372.40

(Average 1924-25-26=100)

REUTERS

Jan. 21	Jan. 18	M'nth ago	Year ago
1764.6	1739.0	closed	1506.2

(Base: September 18, 1931=100)

... per package except where otherwise stated: Imported Produce: Oranges—Spania: Navel/Navelinas 4.00-4.50; Jaffa: Navels/Shamouti 50/189s 3.90-5.45; Greek: 2.50-2.60; Moroccan: 64/113s 3.80-4.20; Egyptian: 3.30-3.50. Satsumas—Spania: 95/188s 3.20-3.60. Clementines—Moroccan: 3/6s 4.00-5.00; Cyprus: 126/162 3.40-4.00. Lemons—Italian: 100/150s 5.60-6.00; Cyprus: 11-kg 84/120s 3.60-5.00. Grapefruit—Cyprus: 3.80-3.40; 20-kg 3.60-4.50; Jaffa: Large boxes 32/88s 3.80-4.90; Florida: Pink flesh 36/48s ...

... 6.50; Italian: Granny Smith 20-lb, per pound 0.13-0.15. Grapes—Spanish: Almeria 2.80-3.20, Black 4.00; Californian: Red Emperor, per pound 0.42-0.46; S. African: Queen of the Vineyard 7.00, Dan B. Hannah 9.00. Plums—S. African: Santa Rosae per pound 0.32-0.45. Apricots—S. African: Per pound 0.40-0.45. Avocados—Israeli: 4.30-4.60. Melons—Spanish: Green 7.00, 15-kg Green 8/15s 13.00, 6s 1.10-1.20. Pineapples—Ivory Coast: Each 0.50-0.70. Onions—Spanish: 5.60-6.00; Dutch: 3.00-3.30. Tomatoes—...

Gilts undeterred by £1.8bn tap stocks and rise over £2 before easing late—Equities become more volatile

Account Dealing Dates
Options

*First Dealings	Declarations	Last Dealings	Account Day
Jan. 14	Jan. 24	Jan. 25	Feb. 4
Jan. 28	Feb. 7	Feb. 8	Feb. 18
Feb. 11	Feb. 21	Feb. 22	Mar. 3

* "New time" dealings may take place from 9.30 am two business days earlier.

Undeterred by this week's offering of £1.8bn new tap stocks, the market in Government securities attracted further sizeable investment funds yesterday. The activity and continued strong tone in this sector resulted in further support for equities among which leading shares rallied well after making an *easier start to the final leg of the* current trading Account.

Foreign investment for Gilts was again considerable but no more so than from domestic sources. The weight of demand and continued absence of any worthwhile selling led to more acute stock shortages which helped to push gains to two points and more among longer-dated stocks before a slight softening towards the end. Closing quotations left the terms of the proposed long tap stock looking a lucrative proposition.

When the issue was announced last Friday, thoughts immediately arose about the possibility of the £1bn of Treasury 12½ per cent "A" 2003-05, payable only £25 at tender, enticing a good subscription; yesterday, it was looking as if the stock could easily be oversubscribed. The possibility of the short tap, Exchequer 13¼ per cent 19[illegible], £60 payable at tender, meeting with a similar fate was more doubtful, but this end of the market settled around ¼ higher, after being ⅜ up at best.

Profit-taking in the wake of last week's strong advance produced initial falls in leading shares, but revived small institutional inquiries at the cheaper levels soon halted the decline. Following the later strength in British Funds, a bear squeeze developed in leading industrials which by mid-day were mostly showing rises on balance.

The absence of follow-through support, however, saw these gains gradually erased during a quiet afternoon session and an extension of the trend in the after-hours' trade left net overall losses. The FT 30-share index mirrored the erratic trend, registering a fall of 3.0 at 10.00 am and a net gain of [illegible] at 2.00 pm before a close of [illegible] down on the day at [illegible], minor movement in relation to last week's advance of [illegible].

Another lively business in the Traded Option market saw [illegible] deals done compared with Friday's 2,004 which was the highest total since last J[illegible]. Land Securities dominated the proceedings, recording 744, while 202 were completed in recent favourite Consolidated Gold Fields.

Alexanders rally

After a hesitant start, the major clearing banks encountered renewed support ahead of the dividend season which starts next month and closed with gains ranging to 6. Midland and NatWest ended that much better at the common level of 366p; the latter's preliminary results are due on February 26. Among Discounts, news of Alexanders' maintained dividend outweighed the annual deficit and left the shares a net 7 better at 212p, after 198p.

Lloyd's brokers were inclined harder in places. Bowring closed a penny dearer at 141p, after 145p, following the terms offered by Marsh and McLennan. C. E. Heath added 3 to 223p with the help of Press comment. Composites made headway with GRE notable for a rise of 9 to 254p.

Leading Building descriptions attracted a reasonable demand. Redland firmed 11 to 171p on renewed investment buying while BPB added 4 to 183p and Ready Mixed Concrete improved 3 to 148p. Contract news failed to benefit Tarmac, unchanged at 200p, but Hoveringham came in for support, the ordinary and restricted voting adding [illegible] apiece to 70p and 69p respectively. *Burnett and Hallamshire* rose 15 to 555p and Vibroplant 10 to 250p in thin markets, while buying ahead of Thursday's half-yearly results lifted Burt Boulton 5 to 190p. Dealings in Armitage Shanks were suspended at 5[illegible]p pending details of an approach from a UK company which may lead to an offer.

Fisons touched 295p before drifting off to close only a couple of pence higher on balance at 289p. ICI traded narrowly and settled a net penny cheaper at 378p.

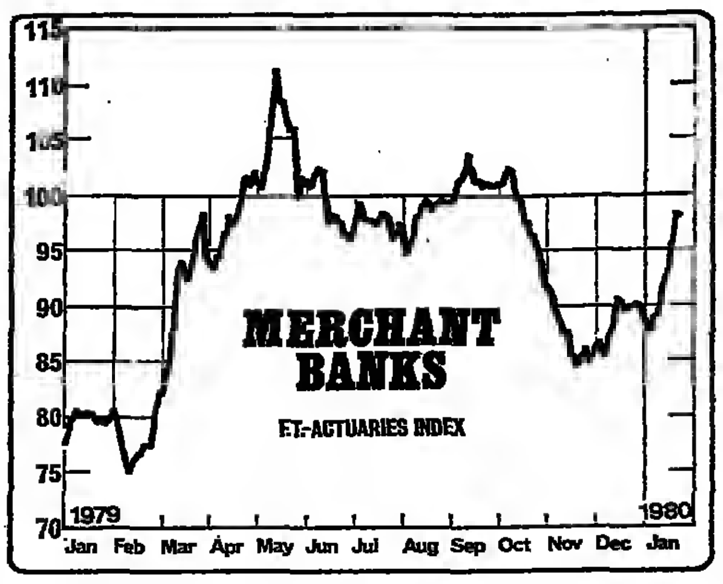
Bakers Household up

The store majors plotted an irregular course in moderate trading. Firm last week on speculation concerning Lonrho's near-30 per cent stake in the company, House of Fraser improved to 147p before closing a net 2 up on balance at 143p. Debenhams hardened 2 to [illegible] following Press comment and British Home improved 4 to [illegible]. Burton "A" dipped a couple of pence to [illegible] after adverse Press mention and Gussies "A" softened [illegible]. Elsewhere, Bakers Household [illegible] 4 to 107p on buying ahead of tomorrow's preliminary results and NSS Newsagents gained [illegible] on the chairman's encouraging annual statement. [illegible], and John Menzies, [illegible] rose 9 and 10 respectively, while Executex put on 5 to 32p and Grattan Warehouses added 4 to 110p. MFI Furniture held at 83p in front of today's interim results but the recently friendless Kitchen Queen came on offer again following adverse comment and finished 3 off at 2[illegible]p, after 23p. B. Paradise fell 4 to 2[illegible]p. In Shoes, renewed speculative support lifted Stylo 5 to 168p.

Still reflecting the bid approach from Racal, Decca improved 10 more to 350p, with the "A" shares 5 up at 310p. Elsewhere in secondary Electricals, favourable week-end Press mention stimulated demand for United Scientific which rose [illegible] but, after last week's [illegible] renewed nervousness [illegible] ing Thursday's [illegible] results left Plessey [illegible] 223p. Occasional demand [illegible] Eurotherm 5 more to [illegible] Berec improved 3 to [illegible] UK Electric 4 to [illegible]. On the other hand, Dewhurst and Partner eased 1½ to 13p on the fall in annual profits. Dealings were temporarily suspended in Cray Electronics at 3[illegible]p; it was announced yesterday that discussions are at an advanced stage for the transfer of ownership of the Capital for Industry Group of Companies of which Cray is a member. Among the leaders, GEC closed 2 lower at 3[illegible]p, after touching 362p.

Leading Engineerings ended the day slightly easier. [illegible] interim results, [illegible] Brown drifted off to [illegible] before recovering to [illegible] and settling [illegible] for a fall of [illegible] on the day. [illegible] and [illegible] finished with losses of a few pence. Scattered support was evident in secondary issues. [illegible] advanced [illegible] to [illegible] in a limited market, while B. Elliott, 230p, and ML Holdings, 227p, rose 8 and 5 respectively. Gains of 5 were also seen in Spirax-Sarco, 177p, and Wadkin, 105p. Buying interest revived in Babcock, up 4 at 116p, and Chemring, a similar amount dearer at 109p. Among smaller-priced issues, Neepsend were supported and closed 2½ higher at 38½p, but Meggitt Holdings finished without alteration at 27[illegible] following the preliminary results.

Supermarket issues attracted fresh support in the Food sector. J. Sainsbury firmed 3 to 315p and Associated Dairies 4 to 192p, while Tesco hardened a penny to 75p. Elsewhere, A. B. Foods added a penny to 92p, while renewed speculative buying lifted *Carr's Milling* 3 to 93p. Barker and Dobson also added 3, to 27p, in belated response to favourable Press comment.



Gieves jump

A penny or two easier at the outset, *miscellaneous industrial* leaders perked up in sympathy with a fresh show of strength by gilts and closed with improvements ranging to 5. Glaxo firmed that much to 478p, while Rank Organisation gained 4 to 193p; the latter's preliminary results are due on Thursday. Turner and Newall, however, encountered profit-taking and eased 4 to 136p after last week's good rise which followed news that the net asset values of its Rhodesian subsidiaries have risen substantially over the 14 years of sanctions. Elsewhere, Gieves provided a late feature, jumping 16 to 100p, after 103p, on the announcement that the company is selling is James Burn Bindings subsidiary for £3.7m cash and that the proceeds will be paid to shareholders. News that Felixstowe Dock is to undertake a major expansion programme costing £27m buoyed its owners European Ferries which closed 6½ up at 107½p, while Sothebys rose 15 to 425p, after 430p, in response to the chairman's encouraging annual review. The continuing boom in precious metal prices helped Johnson Matthey advance 13 more to 283p, while Pentos firmed 3 to 68p on Press comment. Applied Computers added 8 to 255p while Sale Tilney, 182p, and Watshams, 310p, improved 7 apiece. Portals put on 6 to 238p as did Ricardo, at 333p. Revived hopes of an American bid lifted Wilkinson Match 4 to 160p.

Up 10 on Friday on hopes of a bid from major shareholders Grand Metropolitan, Pleasurama put on a further 16 to 175p, after 178p, on speculative demand following the death of Mr. E. H. Thomas, the latter company's managing director. Elsewhere in the Leisure sector, Horizon Travel added 13 to 233p in response to favourable Press comment, but Saga shed 10 to 196p following adverse mention.

Speculative demand in a thin market lifted Appleyard 9 to 71p in Motor Distributors. Henlys added 4 to 94p in anticipation of tomorrow's results.

Newspapers took recent gains a stage further. Associated added 7 to 295p, while rises of 3 were marked against Daily Mail A, 503p, and News International, 613p. In Paper/Printings, speculative demand was again forthcoming for More O'Ferrall which put on 4 to 117p, while Eucalyptus rose 7 to 93p and Ferry Pickering firmed 5 to 70p.

Easier initially on lack of fresh support, Properties picked up to close without much change on balance. Slough Estates responded to the property revaluation with a gain of 4 to 116p, but profit-taking left Stock Conversion 6 cheaper at 372p and Fairview Estates 5 off at 200p. Corn Exchange, a particularly good market of late on the increased dividend and proposed seven-for-one scrip issue, shed 6 to 297p, but London and Provincial Shop improved that much to 258p. Warner Estates, annual results on Thursday, added 3 to 195p.

Premier active

Interest in Oils centred chiefly on secondary issues in which week-end Press mention stimulated an extremely brisk trade for Premier which closed 5 higher at 59p. Aran Energy were good at 346p, up 24, while Gas and Oil Acreage rose 15 to 325p and CCP North Sea 10 to 260p. Siebens (UK) turned volatile, reacting to 536p in the early dealings before recovering to 578p and settling without alteration at 566p. Weeks Petroleum advanced 40 to 410p following Press comment suggesting a possible bid from National Carbonising which reacted 8 to 129p. IC Gas rose 15 to 700p and Hunting Petroleum 6 to 120p.

South African industrials displayed no set trend after a moderate business. Gold Field Properties gained 10 to 120p but S. A. Breweries gave up 7 to 138p.

Australian gains

Australian issues displaced South African Golds as the pace-setters in mining markets.

Booming base-metal prices, a steady performance by gold and silver and favourable weekend Press comment encouraged renewed heavy buying across the board.

Among leading issues, MIM Holdings were outstanding with a rise of 19 to 304p, while Bougainville put on 10 to 173p, Western Mining 6 to 237p and Peko-Wallsend 5 to 430p.

The more speculative stocks were also well supported. Mount Lyell advanced 12 more to 112p, Whim Creek and Samantha 10 apiece to 90p and 63p respectively, Metals Exploration 8 to 67p and Swan Resources 7 to 62p. Australian Consolidated Minerals hardened 2 to 18p.

South African Golds sustained a minor setback as the bullion price gave ground to close $10 easier at $825, after having touched $850 at the morning fixing.

Trading in shares was much quieter than of late with profit-taking outweighing renewed buying. Prices were marked down at the outset and drifted throughout the day despite one or two attempts at a rally.

The after-hours' trading saw some fresh selling on U.S. account with the result that the Gold Mines index came back 7.9 to 352.5.

Heavyweights registered falls to £1¼, as in Randfontein, £31, while medium- and lower-priced stocks showed. South African Land 26 off at 360p.

Gold orientated Financials fell in line with Golds but the London issues provided a feature in Rio Tinto-Zinc, following the rise in Copper prices the shares rose 10 to a 1979-80 high of 410p on persistent and heavy buying in a market short of stock. The surge in Copper also prompted strong buying of Messina, which gained 15 to 190p.

FINANCIAL TIMES STOCK INDICES

	Jan. 21	Jan. 18	Jan. 17	Jan. 16	Jan. 15	Jan. 14	A year ago
Government Secs.	69.26	68.53	68.30	68.52	68.06	67.86	67.80
Fixed Interest	69.61	68.99	68.60	68.85	68.49	68.00	69.39
Industrial	457.7	459.8	460.8	455.5	441.7	445.8	472.1
Gold Mines	352.5	360.4	339.0	356.1	337.0	330.6	169.5
Ord. Div. Yield	7.15	7.14	7.26	7.20	7.41	7.55	6.16
Earnings, Yld. % (full)	17.77	17.72	18.02	17.85	18.59	18.30	16.14
P/E Ratio (net) (*)	6.91	6.95	6.89	6.90	6.70	6.78	8.01
Total bargains	26,711	29,778	25,215	27,000	25,427	26,108	—
Equity turnover £m	—	181.57	139.97	187.95	115.87	127.61	53.79
Equity bargains total	—	20,096	19,650	20,113	17,201	19,139	11,299

10 am 458.8. 11 am 457.8. Noon 461.6. 1 pm 462.4.
2 pm 462.5. 3 pm 461.3.
Latest Index 01-246 8026.
*Nil=6.67.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

	1979/80 High	1979/80 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	75.91 (4/5)	63.50 (10/12)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	77.76 (5/5)	64.06 (15/11)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	558.6 (4/5)	406.3 (15/11)	558.6 (4/5/79)	49.4 (26/6/40)
Gold Mines	360.4 (18/1/80)	129.9 (17/4)	443.3 (22/5/75)	43.5 (28/5/40)

S.E. ACTIVITY

	Jan. 21	Jan. 18
—Daily		
Gilt Edged	150.5	129.3
Industrials	149.9	141.4
Speculative	154.2	116.2
Totals	110.3	105.1
5-d'y A'v'ge		
Gilt Edged	160.6	163.0
Industrials	146.5	137.0
Speculative	138.0	139.7
Totals	106.5	103.9

NEW HIGHS AND LOWS FOR 1979/80

The following securities quoted in the Share Information Service yesterday attained new Highs and Lows for 1979-80.

NEW HIGHS (74)

LOANS (1)
Southern Rhodesia 2½pc
BUILDINGS (1)
Burnett & Hallamshire
CHEMICALS (1)
Ellis & Everard
STORES (1)
Moss Bros.
ELECTRICALS (2)
Thorpe (F. W.) United Scientific
ENGINEERING (3)
Associated Eng. M.L. Holdings
Howden
FOODS (3)
Assoc. British Foods Unigate
Belam
INDUSTRIALS (11)
A.A.H. Restmor
Applied Computer T. Sandhurst Marketing
Brengreen Sketchley
Dundonian Sotheby, P. B.
Hunting Assoc Tebbitt
Johnson Matthey
LEISURE (1)
Pleasurama
NEWSPAPERS (3)
Assoc. Newspapers Int. Thomson Conv.
Daily Mail A
PAPER (2)
Cradley Printing Ferry Pickering
Eucalyptus
SOUTH AFRICANS (2)
Gold Fields Prop. Unisec
TRUSTS (4)
Rothschild Inv. Int. Inv. Tst. of Jersey
Britannia Arrow West of England
OIL & GAS (10)
Aran Energy Ranger Oil
[illegible]

NEW LOWS (15)

[illegible]

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	[illegible]	[illegible]	[illegible]
Corpns. Dom. and Foreign Bonds	[illegible]	[illegible]	[illegible]
Industrials	[illegible]	[illegible]	[illegible]
Financial and Prop.	[illegible]	[illegible]	[illegible]
Oils	[illegible]	[illegible]	[illegible]
Plantations	[illegible]	[illegible]	[illegible]
Mines	[illegible]	[illegible]	[illegible]
Others	[illegible]	[illegible]	[illegible]
Totals	[illegible]	[illegible]	[illegible]

LONDON TRADED OPTIONS

Option	Ex'rcise price	January Closing offer	January Vol.	April Closing offer	April Vol.	July Closing offer	July Vol.	Equity close
BP	300	63	10	64	2	—	—	349p
BP	350	9	10	30	13	—	—	"
BP	375	½	10	21	10	—	—	"
BP	390	—	—	—	—	32	15	"
BP	400	½	21	13	11	—	[illegible]	"
Com. Union	140	7	—	14	[illegible]	[illegible]	[illegible]	[illegible]
Com. Union	160	½	—	6	[illegible]	[illegible]	[illegible]	[illegible]
Cons. Gold	260	218	—	228	[illegible]	[illegible]	[illegible]	[illegible]
Cons. Gold	300	178	—	190	[illegible]	[illegible]	[illegible]	[illegible]
Cons. Gold	330	148	—	161	[illegible]	[illegible]	[illegible]	[illegible]
Cons. Gold	360	118	—	133	[illegible]	[illegible]	[illegible]	[illegible]
Cons. Gold	390	88	—	108	[illegible]	[illegible]	[illegible]	[illegible]
Cons. Gold	420	58	1	84	[illegible]	[illegible]	[illegible]	[illegible]
Cons. Gold	460	12	26	60	[illegible]	[illegible]	[illegible]	[illegible]
Cons. Gold	500	—	—	39	[illegible]	[illegible]	[illegible]	[illegible]
Courtaulds	80	1	—	7	[illegible]	[illegible]	[illegible]	[illegible]
Courtaulds	90	¼	9	3½	[illegible]	[illegible]	[illegible]	[illegible]
GEC	330	32	4	55	[illegible]	[illegible]	[illegible]	[illegible]
GEC	360	5	2	36	[illegible]	[illegible]	[illegible]	[illegible]
GEC	390	½	—	20	[illegible]	[illegible]	[illegible]	[illegible]
Grand Met.	138	6	25	—	[illegible]	[illegible]	[illegible]	[illegible]
Grand Met.	140	—	—	12	[illegible]	[illegible]	[illegible]	[illegible]
Grand Met.	160	—	—	6	[illegible]	[illegible]	[illegible]	[illegible]
ICI	300	79	10	85	[illegible]	[illegible]	[illegible]	[illegible]
ICI	330	49	10	66	[illegible]	[illegible]	[illegible]	[illegible]
ICI	360	20	4	52	[illegible]	[illegible]	[illegible]	[illegible]
ICI	390	1	20	17	[illegible]	[illegible]	[illegible]	[illegible]
Land Secs.	260	26	55	43	[illegible]	[illegible]	[illegible]	[illegible]
Land Secs.	280	6	198	27	[illegible]	[illegible]	[illegible]	[illegible]
Land Secs.	300	1½	255	17	[illegible]	[illegible]	[illegible]	[illegible]
Land Secs.	330	½	—	7	[illegible]	[illegible]	[illegible]	[illegible]
Marks & Sp.	80	13	—	18½	[illegible]	[illegible]	[illegible]	[illegible]
Marks & Sp.	90	3	—	11½	[illegible]	[illegible]	[illegible]	[illegible]
Marks & Sp.	100	¼	—	6½	[illegible]	[illegible]	[illegible]	[illegible]
Marks & Sp.	110	¼	—	3½	[illegible]	[illegible]	[illegible]	[illegible]
Marks & Sp.	130	¼	1	—	[illegible]	[illegible]	[illegible]	[illegible]
Shell	325	8	10	—	[illegible]	[illegible]	[illegible]	[illegible]
Shell	330	—	—	30	[illegible]	[illegible]	[illegible]	[illegible]
Shell	350	1	2	—	[illegible]	[illegible]	[illegible]	[illegible]
Shell	375	½	12	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Shell	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Shell	400	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Totals			[illegible]		[illegible]		[illegible]	

Option	Ex'rcise price	February Closing offer	February Vol.	May Closing offer	May Vol.	August Closing offer	August Vol.	Equity close
Boots	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Boots	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EMI	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Imperial Gp.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Imperial Gp.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Racal Elec.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Racal Elec.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Racal Elec.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
RTZ	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
RTZ	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
RTZ	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
RTZ	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Totals			[illegible]		[illegible]		[illegible]	

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

	Equity groups & sub-sections	Mon., Jan. 21, 1980 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Fri., Jan. 18 Index No.	Thurs., Jan. 17 Index No.	Wed., Jan. 16 Index No.	Tues., Jan. 15 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (172)	232.48	+0.4	18.71	6.69	6.76	231.45	226.67	227.69	223.47	232.51
2	Building Materials (27)	224.22	+1.4	17.54	6.86	7.31	221.16	214.03	213.36	206.79	207.41
3	Contracting, Construction (29)	350.58	+0.5	26.34	6.91	4.69	348.70	340.86	340.80	336.49	354.74
4	Electricals (15)	586.26	−0.2	13.81	4.24	9.65	587.55	578.21	586.37	576.53	540.35
5	Engineering Contractors (11)	296.78	—	26.13	8.62	4.89	296.72	291.71	290.51	291.36	368.94
6	Mechanical Engineering (74)	162.32	+0.4	21.13	7.99	5.86	161.71	158.92	159.61	157.17	188.69
8	Metals and Metal Forming (16)	162.47	+0.8	20.49	9.35	5.88	161.10	157.69	157.36	154.04	161.47
	CONSUMER GOODS										
11	(DURABLE) (50)	209.78	+0.3	17.01	5.82	7.26	209.07	206.35	207.29	203.14	208.33
12	Lt. Electronics, Radio, TV (15)	286.25	+0.3	13.39	4.49	9.59	285.33	281.61	283.80	277.82	264.01
13	Household Goods (14)	114.23	−0.4	26.50	9.49	4.57	114.64	113.63	114.53	113.37	166.29
14	Motors and Distributors (21)	113.35	+0.5	23.71	8.22	4.98	112.74	111.18	110.73	108.56	119.91
	CONSUMER GOODS										
21	(NON-DURABLE) (173)	226.99	+0.1	17.77	6.67	6.93	226.65	221.79	223.19	217.87	208.88
22	Breweries (14)	273.68	+0.2	16.19	6.39	7.22	273.08	266.35	265.43	260.88	228.42
23	Wines and Spirits (5)	322.79	+0.2	16.81	5.74	7.34	322.01	317.60	317.61	313.65	294.79
24	Entertainment, Catering (17)	307.55	−0.9	18.15	6.81	6.93	310.41	302.84	308.04	295.17	272.30
25	Food Manufacturing (19)	205.38	+0.1	19.73	7.09	6.26	205.21	201.98	203.44	199.70	198.47
26	Food Retailing (15)	325.52	+1.2	12.65	4.36	9.45	321.59	316.76	318.59	313.23	228.33
32	Newspapers, Publishing (13)	432.54	+1.1	23.05	6.94	5.97	427.83	422.39	424.29	415.35	386.91
33	Packaging and Paper (15)	126.72	+0.7	23.50	8.96	5.47	125.89	123.56	124.73	120.80	134.67
34	Stores (43)	222.12	+0.1	13.86	5.13	9.32	221.87	215.04	216.14	210.04	193.48
35	Textiles (23)	132.33	−0.2	27.49	12.24	4.62	132.61	132.38	133.44	131.02	178.32
36	Tobaccos (3)	221.33	−0.2	25.75	10.07	4.38	221.71	218.46	220.73	215.20	237.63
37	Toys and Games (6)	43.85	+0.5	37.33	16.33	3.38	43.62	43.48	44.82	45.60	91.33
41	OTHER GROUPS (97)	203.03	+0.4	15.49	6.64	7.85	202.29	198.98	200.24	195.95	196.84
42	Chemicals (17)	299.39	−0.1	16.37	6.71	7.05	299.75	296.59	298.37	290.19	276.37
43	Pharmaceutical Products (7)	210.69	+0.4	12.09	6.06	10.09	209.91	207.34	210.68	205.13	240.81
44	Office Equipment (6)	110.66	+1.4	17.71	7.72	6.98	109.15	105.87	107.84	105.29	139.75
45	Shipping (10)	439.36	+1.6	12.05	7.35	10.59	432.44	420.56	424.77	418.70	429.30
46	Miscellaneous (57)	241.25	+0.4	16.50	6.53	7.68	240.19	235.48	235.34	232.02	213.36
49	INDUSTRIAL GROUP (492)	228.44	+0.3	17.41	6.61	7.11	227.78	223.35	224.64	219.77	218.55
51	Oils (8)	710.74	−0.5	15.81	6.71	6.84	714.28	715.28	718.40	690.58	503.83
59	500 SHARE INDEX	266.76	+0.1	17.09	6.63	7.05	266.41	262.35	263.79	257.15	242.28
61	FINANCIAL GROUP (117)	195.28	+0.9	—	5.66	—	193.55	189.86	191.25	186.85	169.73
62	Banks (6)	229.61	+1.4	36.22	5.66	3.52	226.46	223.68	223.51	218.83	204.83
63	Discount Houses (10)	240.14	+0.2	—	8.26	—	239.59	241.11	237.06	233.59	212.88
64	Hire Purchase (5)	184.58	+1.1	19.19	5.15	6.60	182.52	183.14	186.27	173.04	164.95
65	Insurance (Life) (10)	162.32	+1.5	—	6.48	—	159.91	156.67	157.54	154.41	133.33
66	Insurance (Composite) (9)	130.56	+1.5	—	7.44	—	128.66	126.68	129.15	125.07	119.77
67	Insurance Brokers (10)	299.96	+0.1	16.62	6.54	8.60	299.52	287.39	288.27	285.34	297.49
68	Merchant Banks (14)	98.05	−0.2	—	6.07	—	98.26	95.67	95.24	93.54	79.41
69	Property (44)	347.07	—	3.80	3.09	37.72	346.93	336.70	339.44	333.23	274.32
70	Miscellaneous (9)	129.82	+0.8	16.00	7.03	8.20	128.82	128.88	130.93	127.11	112.55
71	Investment Trusts (109)	212.96	+1.2	—	5.77	—	210.35	207.65	207.60	204.47	211.07
81	Mining Finance (4)	199.51	+2.0	11.55	4.43	10.51	195.62	186.67	185.87	182.50	113.02
91	Overseas Traders (20)	383.11	+1.6	12.85	6.75	9.49	377.02	369.95	365.30	352.38	319.48
99	ALL-SHARE INDEX (750)	249.91	+0.4	—	6.35	—	248.89	244.72	245.89	239.93	223.47

FIXED INTEREST PRICE INDICES

	British Government	Mon., Jan. 21	Day's change %	xd adj. today	xd adj. 1980 to date
1	Under 5 years	101.79	+0.27	—	0.45
2	5-15 years	108.30	+1.44	0.37	1.55
3	Over 15 years	115.49	+1.70	—	0.24
4	Irredeemables	135.28	+0.81	—	0.00
5	All stocks	108.33	+1.12	0.09	0.63

FIXED INTEREST YIELDS British Govt. Av. Gross Red.

			Mon., Jan. 21	Fri., Jan. 18	Year ago (approx.)
1	Low	5 years	11.79	11.89	10.05
2	Coupons	15 years	11.79	11.89	11.84
3		25 years	11.79	11.89	12.64
4	Medium	5 years	13.88	14.08	13.23
5	Coupons	15 years	13.31	13.55	13.23
6		25 years	13.20	13.45	13.23
7	High	5 years	14.31	14.56	13.30
8	Coupons	15 years	13.76	14.03	13.78
9		25 years	13.45	13.73	13.77
10	Irredeemables		10.88	10.97	12.31

		Mon., Jan. 21 Index No.	Mon., Jan. 21 Yield †	Friday Jan. 18	Thurs. Jan. 17	Wed. Jan. 16	Tues. Jan. 15	Mon. Jan. 14	Friday Jan. 11	Thurs. Jan. 10	Year ago (approx.)
15	20-yr. Red. Deb & Loans (15)	60.87	14.54	50.63	50.31	49.92	49.83	49.75	49.53	49.26	64.43
16	Investment Trust Prefs. (15)	47.83	14.10	47.78	46.92	47.00	47.00	46.90	46.86	46.49	60.76
17	Coml. and Indl. Prefs. (20)	61.26	14.48	61.81	61.68	62.14	61.89	61.64	61.67	61.32	72.14

† Redemption yield. Highs and lows record base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 14p, by post 22p.

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1979-80 high	1979-80 low
European Ferries	25p	11	107½	+ 6½	183	92
RTZ	25p	11	410	+18	410	226
Tricentrol	25p	10	274	+ 4	284	148
Premier Cons.	5p	9	59	+ 5	59	13
Western Mining	$A0.50	9	237	+ 6	237	121
Beecham	25p	8	124	—	189	114
Lonrho	25p	8	109	—	109	62
Western Areas	R1	8	427	+ 2	427	109
Barclays Bank	£1	7	436	+ 6	514	360
Cons. Gold Fields	25p	7	476	− 2	482	178
GEC	25p	7	355	− 2	456	311
GUS A	25p	7	402	− 2	448	288
ICI	£1	7	378	− 1	415	314
Imp. Cont. Gas	£1	7	700	+15	700	358
P. & O. Defd.	£1	7	117	—	119	71

OPTIONS

DEALING DATES

First Dealings	Last Dealings	Last Declaration	For Settlement
Jan. 21	Feb. 1	Apr. 24	May 6
Feb. 4	Feb. 15	May 8	May 19
Feb. 13	Feb. 19	May 20	June 9

For rate indications see end of *Share Information Service*

Money was given for the call in First National Finance, Reo Stakis, Shell Transport, British Petroleum, CompAir, Fraser Ansbacher, Marshall Cavendish, Lincroft Kilgour, Newarthill, Dundonian, Town and City, Associated Fisheries, Siebens (UK), House of Fraser, Lonrho, [illegible] Electronic, Woodhouse and [illegible], Greencoat Properties, [illegible] Oil, Charterhall, Wm. [illegible], John Brown, ICI, Tubes, Britannia Arrow, KCA International and Charter Consolidated. Puts were arranged in KCA International, Elsburg, North Kalgoorlie, Gold Mines of Kalgoorlie and British Petroleum, while double options were transacted in RTZ, Western Mining, Decca "A," Lonrho and Dundonian.

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid Up	Latest Renunc. Date	1979/80 High	1979/80 Low	Stock	Closing Price p	+ or −	Div. or Amount	Times Covered	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid Up	Latest Renunc. Date	1979/80 High	1979/80 Low	Stock	Closing Price £	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue Price p	Amount Paid Up	Latest Renunc. Date	1979/80 High	1979/80 Low	Stock	Closing Price p	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

[illegible]

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Discretionary Unit Fund Managers
22 Blomfield St., EC2M 7AL. 01-638 4485
Dis. Inc. Jan. 10 ......183.9 190.0 ...... 6.21

E. F. Winchester Fund Mngt. Ltd.
44, Bloomsbury Square, WC1A 2RA 01-623 8893
Great Winchester ......16.8 18.6 ...... 6.24
Gt. Winchester O'seas ......19.6 21.0 ...... 2.52

Emson & Dudley Tst. Mngmnt. Ltd.
20b Albemarle St., W1. 01-493 3211
Emson Dudley Tst. ......69.6 74.4 ...... 6.00

Equity & Law Un. Tr. M.♥ (a)(b)(c)
Amersham Rd., High Wycombe. 0494 33377
Equity & Law ......74.4 78.3 +0.3 5.06

Fidelity International Management Ltd.
62-63, Queen St., London, EC4R 1AD. 01-248 4891
American ......26.4 27.8 -0.2 1.0
Fixed Interest ......25.3 26.7 +0.3 12.6
Growth + Income ......28.5 30.0 ...... 7.80
Special Sits. ......27.9 29.4 ...... 3.00

James Finlay Unit Trust Mngt. Ltd.
10-14, West Nile Street, Glasgow. 041-204 1321
J. Finlay Internat'l ......27.1 29.1 ...... 2.10
Accum. Units ......32.9 35.4 ...... 2.10
J. Finlay High Income ......32.1 34.5 ...... 6.69
J. Finlay Euro.Fin. ......23.2 24.9 ...... 4.58
Accum. Units ......28.7 30.8 ...... 3.58
J. Finlay Fd.In.Tst. ......30.6 32.9 ...... 5.37
Accum. Units ......36.9 39.7 ...... 5.37
Prices on Jan. 16. Next dealing Jan. 23.

Framlington Unit Mgt. Ltd. (a)
64, London Wall, EC2M 5NQ. 01-628 5181
American ......52.6 55.8 -0.6 1.31
American Turnaround ......52.4 55.6 -0.2 2.00
Capital Tst. ......51.8 55.0 +0.4 4.92
(Accum. Units) ......51.8 55.0 +0.4 4.92
Income Tst. ......36.6 38.8 ...... 8.51
Int. Growth Fd. ......43.0 45.6 +0.2 2.21
(Accum. Units) ......45.4 48.2 +0.2 2.21

Friends' Provdt. Unit Tr. Mgrs.♥
Pixham End, Dorking. 0306 5055
Friends Prov. Units ......48.6 51.9 +0.5 4.90
Do. Accum. ......67.0 71.6 +0.7 4.90

Funds in Court*
Public Trustee, Kingsway, WC2. 01-405 4300
Capital Jan. 17 ......111.0 113.7 ...... 5.18
Gross Inc. Jan. 17 ......72.9 75.2 ...... 11.03
High Yield Jan. 17 ......85.3 88.2 ...... 10.24
*Unauth. Restricted to monies under Court control.

G.T. Unit Managers Ltd.♥
16 Finsbury Circus, EC2M 7DD 01-628 8131
G.T. Cap. Income ......114.4 121.7 ...... 3.30
Do. Acc. ......142.1 151.1 ...... 3.30
G.T. Inc. Fd. Un. ......174.8 185.9 ...... 8.20
G.T. U.S. & Gen ......148.1 157.5 ...... 2.30

ManuLife Management Ltd.
St. George's Way, Stevenage. 0438 56101
Growth Units ......62.1 65.4 ...... 4.38

Mayflower Management Co. Ltd.
14-18, Gresham St., EC2V 7AU. 01-606 8099
Income Jan. 21 ......103.9 109.4 +7.7 9.12
General Jan. 21 ......72.1 75.9 +6.9 6.18
Intnl. Jan. 21 ......46.0 48.5 +3.4 3.38

Mercury Fund Managers Ltd.
30, Gresham St., EC2P 2EB. 01-600 4555
Merc. Gen. Jan. 16 ......53.2 56.6 ...... 6.30
Acc. Uts. Jan. 16 ......72.7 77.3 ...... 6.30
Merc. Int. Jan. 16 ......72.5 77.1 ...... 5.13
Acc. Uts. Jan. 16 ......81.5 86.7 ...... 5.13
Merc. Ext. Dec. 27 ......254.4 265.0 ...... 6.30
Accm. Units Dec. 27 ......318.2 331.5 ...... 6.30

Midland Bank Group Unit Trust Managers Ltd.♥ (a)
Courtwood House, Silver Street, Head, Sheffield, S1 3RD. Tel: 0742 79842
Commodity & Gen. ......88.4 [illegible] +0.9 4.96
Do. Accum. ......107.7 [illegible] +1.0 4.36
Overseas Growth ......34.9 [illegible] +0.5 3.22
Do. Accum. ......39.0 [illegible] +1.2 3.22
Capital ......28.9 [illegible] +0.3 5.28
Do. Accum. ......31.0 [illegible] +0.3 4.28
Income ......54.4 [illegible] +0.4 7.20
Do. Accum. ......67.0 [illegible] +0.5 7.20
North American ......36.0 [illegible] -0.2 2.95
Do. Accum. ......39.4 [illegible] -0.2 2.95
High Yield ......59.6 [illegible] +0.5 9.31
Do. Accum. ......69.3 [illegible] +0.5 9.31
Equity Exempt* ......109.2 [illegible] 6.23
Do. Accum.* ......112.2 [illegible] 6.23
Japan & Pacific ......36.0 [illegible] +0.3 1.25
Do. Accum. ......36.2 [illegible] +0.5 1.25
*Prices at Jan. 18. Next dealing Jan. 25.

Minster Fund Managers Ltd.
Minster Hse., Arthur St., EC4R 9BH 01-623 1050
Minster Jan. 14 ......36.3 38.3 ...... 7.64
Exempt Dec. 31 ......94.2 98.2 ...... 6.04

MLA Unit Trust Mngmnt. Ltd.
Old Queen Street, SW1A 9JG. 01-222 8177
MLA Units ......52.7 55.4 ...... 3.82

Murray Johnstone U.T. Mgmt.♥ (a)
163, Hope Street, Glasgow, G2 2UH. 041-221 5521
MJ European ......64.5 68.7 ...... 2.89
Dealing Day Friday.

Mutual Unit Trust Managers♥ (a)(g)
15 Copthall Ave., EC2R 7BU. 01-606 4803
Mutual Sec. Plus ......53.3 57.5 +0.3 7.56
Mutual Inc. Tst. ......74.8 79.8 +0.8 8.10

INSURANCE PROPERTY BONDS

OFFSHORE & OVERSEAS FUNDS

Continued on previous page

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

INTERNATIONAL BANK

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

1979-80 High	Low	Stock	Price £	+ or −	Int.	Red. Yield
95	84¼	Sth. Africa 9½pc '79-81	91½	+¼	10.61	16.74
125	43	Sth. Rhod. 2½pc '65-70	125	+1	10.70	16.66
152	81	Do. 6pc '78-81	140	......	—	—

LOANS

Public Board and Ind.

1979-80 High	Low	Stock	Price £	+ or −	Int.	Red. Yield
66¾	56	Agric. Mt. 5pc '59-89	60xd	+1	8.35	12.27
92	72½	Alcan 10½pc '89-94	77½	+½	15.03	15.80
30½	24½	Met. Wtr. 3pc 'B'	28½	+¼	10.86	12.85
129	97	U.S.M.C. 9pc 1982	100	......	9.12	—
95	81	Do. without Warrants	87	......	10.51	16.26

Financial

1979-80 High	Low	Stock	Price £	+ or −	Int.	Red. Yield
103¾	96	FFI 13pc 1981	98½	+¼	13.19	14.58
108¾	94	Do. 14pc '83	96½	+¼	14.50	15.17
86½	77½	ICFC 5½pc Deb. '80-82	84	+¼	6.69	13.77
85	69	Do. 6¼pcDb. '81-84	74½	+½	8.55	14.10
99	79½	Do. 10½pc Uns.Ln. '86	85xd	+½	12.35	14.30
99	77	Do. 11pc Uns.Ln. '88	84½xd	+1	13.01	13.90
101½	80	Do. 11¾pc Uns.Ln. '90	86½xd	+½	13.58	14.30
72½	54½	Do. 7¼pcADeb. '89-92	60	+1	12.37	14.40
69	51½	Do. 7¼pcA Db. '91-94	59½	+½	12.78	14.40
70	64	Do. 9pc 'A' '91-94	70	+1	13.51	14.60
78½	61	Do. 8⅞pc Ln. '92-97	64½xd	+½	13.75	14.40
102	85	Do. 12¼pc. Uns. Ln. 1992	93	+½	13.96	—

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

BANKS AND HIRE PURCHASE

1979-80 High	Low	Stock	Price	+ or −	Div. Net	Cvr	Y'ld Gr's	P/E
196	140	Arbuthnot L. £1	196	......	†10.42	—	9.3	—
455	302½	Bk. Ireland £1	325	......	Q25.0	—	7.5	—
£195	£138	Do. 10pc Conv.	£146	......	Q10%	—	17.0	—
14	7	Bk. Leumi I£1	0	......	Q16%	—	2.5	—
*157	100	Bk.Leumi (UK)£1	100	......	N8.57	—	12.2	—
*234	134	Bk. N.S.W. $A1	154	......	Q18c	3.0	6.0	5.6
352	240	Bank Scotland £1	288	−5	†12.25	5.0	6.1	4.4
£25⅞	£17⅝	Bankers N.Y.$10	£19⅜	......	Q$3.30	—	7.7	—
514	360	Barclays £1	436	+6	§16.5	6.2	5.4	3.7
286	230	Brown Shipley £1	275	......	‡13.0	—	6.8	—
375	250	Cater Ryder £1	315	......	18.88	—	8.6	—
110	59	Clive Dis'nt 20p	80	......	5.33	—	9.5	—
224	121	Com'l Aus. ($A1)	137	......	Q18c	3.0	6.7	4.9
*£17	862	Com'zbk DM 10	862xr	−13	Q26.6%	—	8.1	—
£18½	900	C'hgn. Hbk. Kr100	975	......	Q12%	—	11.4	—
41	20	Corinthian 10p	39	......	†1.05	5.9	3.8	4.5
£24¾	£15	Cred. France F75	£18⅛	......	Q9.87%	—	3.6	—
11	5	Dawes (G. R.)	10	......	—	—	—	—
*£19½	£62½	Deutsche Bank DM50	£63	−¼	Q28.12%	—	5.8	—
90	55	F. C. Finance	65	+2	2.2	4.9	4.8	6.0
16¾	5¼	First Nat. 10p	15¼	......	—	—	—	♦
4	1½	Do. Wrrts. 75-83	3	......	—	—	—	—
266	178	Gerrard Natnl.	226	......	†9.12	—	5.8	—
70	38	Gibbs (A.)	78	......	2.2	—	4.0	—

BANKS & HP—Continued

Hire Purchase, etc.

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[illegible]

MINES—Continued

CENTRAL AFRICAN

1979-80 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
430	97	Coronation	430	+10	Q54c	2.2	7.2
675	132	Falcon Rh.50c	675	+15	Q100c	1.7	10.2
48	11	Rhod'n Corp. 16⅔p.	46	—	0.56	6.5	1.7
267	70	Roan Cons. K4	267	—	Q0.125	ϕ	2.9
67	26	Wankie Col. Rh.1	65	—	Q9c	1.5	9.5
57	9	Zam.Cpr.SBD0.24	54	+1	—	—	—

AUSTRALIAN

1979-80 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
28	10	Acmex 50c	25	—	—	—	—
18	4	ACM 20c	18	+2	—	—	—
82	50	Bond Corp.	80	—	Q3.75	2.2	2.4
173	100	Bougainville 50 Toea	173	+10	†Q15c	1.0	4.5
245	84	BH South 50c	245	+5	ϕ	—	—
20	8	Carr Boyd 20c	20	+1	—	—	—
£25	340	Central Pacific	£24	−½	—	—	—
318	170	Conzinc Riotinto 50c.	278	−6	NQ10c	2.0	1.9
36	14	Cultus Pacific N.L.	21	+3	—	—	—
*44	2½	Eagle Corp. 10c	44	—	—	—	—
22	11	Endeavour 20c	22	—	—	—	—
228	62	G. M. Kalgoorlie 25c	228	—	Q3c	—	0.7
305	148	Hamptn Areas 5p.	300xd	—	3.5	2.8	1.7
75	20	Haoma Gold N.L.	34	—	—	—	—
71½	25	Metals Ex. 50c	67	+8	—	—	—
304	134	M.I.M. Hldgs. 50c	304	+19	†Q16.1c	1.8	2.8
25	15	Minefields Expl.	25	+5	—	—	—
112	30	Mount Lyell 25c	112	+12	—	—	—
44	13	Newmetal 20c	24	—	—	—	—
167	91	††North B. Hill 50c.	163	+2	Q12c	2.4	3.8
57	4½	Nth. Kalgurli	57	+1	—	—	—
165	45	Nth. Mining Corp.	130	+1	—	—	—
71	18	N. West Mining N.L.	26	+1	—	—	—
193	76	Oakbridge $A1	182	—	Q12c	4.7	3.4
112	22	Oilmin N. L.	102	−3	—	—	—
134	58	Pacific Copper	130	+2	—	—	—
*575	125	Pancont'l 25c	435	+5	—	—	—
*62	2	Paringa M&Ex.5p	62xr	—	—	—	—
450	248½	Peko-Wallsend 50c.	430	+5	†Q17.5c	ϕ	2.1
217	125	Seltrust A	200	—	—	—	—
900	145	Southern Pacific	840	−30	—	—	—
*62	8½	Swan Resources 20c.	62	+7	—	—	—
16	12	West Coast 25c	13	—	—	—	—
237	121	Westn. Mining 50c.	237	+6	Q7c	1.6	1.6
28	8	Westmex	22	−4	—	—	—
94	40	Whim Creek 20c.	90	+10	—	—	—
25	10½	York Resources	19	−5	—	—	—

TINS

1979-80 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
30	23	Amal. Nigeria	28	—	1.0	1.9	6.5
435	265	Ayer Hitam $M1.	295	—	Q290c	8.9	20.0
72	48	Beralt Tin	50	+1	4.5	ϕ	12.9
270	155	Berjuntai $M1.	155	—	‡095c	1.0	‡
190	125	Geevor	165	—	8.71	3.1	7.5
11	8	Gold & Base 12½p.	11	+1	—	—	—
365	295	Gopeng Cons.	345	+10	Z17.0	ϕ	7.0
370	289	Hongkong	300	—	35.87	ϕ	17.1
98	64	Idris 10p	93	—	†8.0	1.6	12.3
15	9½	Jantar 12½p.	14	−1	—	—	—
95	38	Kamunting $M0.50.	65	—	Q47½c	1.1	16.4
620	210	Killinghall $M1	300	—	Z060c	—	4.1
585	365	Malay Dredging $M1	575	−5	†Q105c	2.6	3.7
57	26	Pahang	27	—	0.44	0.3	2.4
123	60	Pengkalen 10p	105	—	24.0	ϕ	5.4
275	195	Petaling $M1	230	—	Q150c	ϕ	13.3
87	53	Saint Piran	60	—	‡2.5	6.4	‡
58	34	South Crofty 10p.	41	+1	‡3.0	2.0	‡
230	170	South Kinta $M0.50.	195	−5	Q150c	1.0	15.7
430	285	Sthn Malayan $M1.	365	−5	Q175c	2.1	9.8
310	210	Sungei Besi $M1.	240	—	†Q520c	1.0	44.3
75	25	Supreme Corp. $M1.	35	—	Z010c	—	5.8
105	93	Tanjong 15p	100	—	7.5	8.7	10.7
115	90	Tongkah H. Tin	90	—	Q45c	1.3	11.2
280	190	Tronoh $M1	235	−5	†Q25c	5.2	2.2

COPPER

1979-80 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
190	56	Messina R0.50	190	+15	Q10c	ϕ	3.0

MISCELLANEOUS

1979-80 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
81	54	Barymin	66	+1	—	—	—
14½	10	Burma Mines 17½p	13	+½	—	—	—
460	170	Cons. Murch. 10c.	460	+20	Q100c	ϕ	12.4
585	280	Northgate C$1	550	−10	—	—	—
410	226	R.T.Z.	410	+18	†11.5	3.4	4.0
31	12	Robert Mines	22	−1	—	—	—
65	26	Sabina Inds. C$1.	37	−1	—	—	—
880	470	Tara Exptn. $1	560	+40	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- • "Tap Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- †† Unlisted security.
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♦ Excluding a final dividend declaration.
- ♣ Regional price.
- || No par value.

§§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1978-79. K Figures based on prospectus or other official estimates for 1979-80. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

"Recent Issues" and "Rights" Page 24

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £500 per annum for each security

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Stock	Price	+ or −
Albany Inv. 20p	27	—
Bertam	16	—
Bdg'wtr. Est. 50p.	365	—
Clover Croft	58	+3
Craig & Rose £1	£10½	—
Dyson (R. A.) A	12	+1
Fife Forge	39	—
Finlay Pkg. 5p.	19	—
Graig Ship. £1	875	+25
Higsons Brew.	83	+3
Holt (Jos) 25p.	255	—
I.O.M. Stm. £1	180	+7
Pearce (C. H.)	370	+5
Peel Mills	33	—
Sheff. Refrshmt.	98	—
Sindall (Wm.)	165	—

IRISH

Stock	Price	+ or −
Conv. 9% '80/82	£87¾	—
Nat. 9¾% 84/89	£71⅝	+⅛
Fin. 13% 97/02	£85⅝	+½
Alliance Gas	67	—
Arnott	340	—
Carroll (P.J.)	52	—
Clondalkin	85	—
Concrete Prods.	80xd	—
Heiton (Hldgs.)	32	—
Ins. Corp.	200	—
Irish Ropes	66	—
Jacob	33	—
T.M.G.	125	—
Unidare	82	—

OPTIONS

3-month Call Rates

Industrials

Stock	Rate
A. Brew	8
BOC Intl.	6
B.S.R.	5
Babcock	12
Barclays Bank	30
Beecham	13
Blue Circle	25
Boots	17
Bowaters	16
B.A.T.	25
Brown (J.)	7
Burton 'A'	22
Cadburys	5½
Courtaulds	8
Debenhams	0
Distillers	21
Dunlop	5½
Eagle Star	14
F.N.F.C.	1¼
Gen. Accident	21
Gen. Electric	30
Glaxo	40
Grand Met.	12
G.U.S. 'A'	30
Guardian	23
G.K.N.	22
Hawker Sidd	16
House of Fraser	12
I.C.I.	22
"Imps"	7
I.C.L.	45
Inveresk	5
Ladbroke	15
Legal & Gen.	14
Lex Service	10
Lloyds Bank	24
"Lofs"	3½
London Brick	6
Lucas Inds.	20
"Mams"	14
Mrks. & Spncr	9
Midland Bank	30
N.E.I.	5
Nat. West. Bank	32
P & O Dfd.	9
Plessey	10
Racal Elect.	20
R.H.M.	4½
Rank Org.	18
Reed Intnl.	17
Sears	5½
Tesco	7
Thorn	25
Trust Houses	14
Tube Invest.	27
Unilever	40
U.D.T.	4
Utd. Drapery	9
Vickers	14
Woolworths	6½

Property

Stock	Rate
Brit. Land	7
Cap. Counties	9
Land Secs.	25
MEPC	17
Peachey	13
Samuel Props.	12
Town & City	2

Oils

Stock	Rate
Brit. Petroleum	28
Burmah Oil	15
Charterhall	6½
KCA	6½
Premier	4½
Shell	28
Tricentrol	27
Ultramar	32

Mines

Stock	Rate
Charter Cons.	18
Cons. Gold	40
Lonrho	9
Rio T. Zinc	35

A selection of Options traded is given on the London Stock Exchange Report page.

FINANCIAL TIMES

Tuesday January 22 1980

Inflation and falling demand hit industry

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE FINANCIAL position of industry deteriorated significantly in 1979 and may worsen this year. This has been mainly the result of an intense squeeze on real profits caused by accelerating inflation and sluggish demand.

Central Statistical Office figures published yesterdsy show that the financial deficit of industrial aod commercial companies in the first nine months of 1979 was £3.67bn, seasonslly adjusted, compared with £2.18bn in the whole of the previous year.

The finaocial deficit measures the amount that industry has to raise from other parts of the economy, mainly through bank borrowing, after finsncing tax and dividend paymeots and spending on capital investment and stocks.

The sharp rise in the deficit was principally the result of a hig increase in the amount needed to finance stock appreciation—the rise in the value of stocks caused by inflation. This was £5.14bn in the first nine months of 1979 compared with £3.09bn in the whole of 1978.

At the same time interest psyments have risen as a result of higher interest rates, while dividends have also ineressed sbarply following the end of controls last summer. The physical increase In stocks was also large—at £1.69hn after nine months compared with £1.19hn io the whole of 1978.

FINANCIAL POSITION OF INDUSTRY

Net acquisition of financial assets, or deficit, of industrial and commercial companies

		£m seasonally adjusted
1977		2,501
1978		2,183
	1st	612
	2nd	440
	3rd	188
	4th	943
1979	1st	1,567
	2nd	830
	3rd	1,273

Source: Central Statistical Office

The published figures for industry's financial deficit disguise the full extent of the underlying deterioration. This is hecause the North Sea oil sector is included and its finances are now improving rapidly as a result of a huild-up of output and profits.

The pressure on the rest of industry is likely to intensify this year as a result of a high rate of inflation, the recession and a poor competitive position. The extent of the deterioration will depend on how qnickly companies are able to reduce excessive stocks and cut investment plans.

After excluding North Sea oil, many analysts helieve that the financial position of manufacturing industry could be as bad in real terms as in the liquidity squeeze of the mid-1970s. Company balance-sheets are healthier than five years ago for industry as a whole, though high interest rates may cause cash flow prohlems for some groups.

On the quarterly basis the financial deficit was £1.27bn in the July-to-Septemher period compared with £830m in the previous tbree months, and £1.57bn during tha strike-affected first quarter of last year.

An alternative way of measuring the finaocial health of industry is the net borrowing requirement. This is the financial deficit modified to reflect actual casb flows in respect of unremitted profits and trade credit and after taking account of long-term investment abroad and acquisition of company securities. This stood at £1.07bn in the July-to-September period compared with £1.35bn in the previous three months.

This may, bowever, be an artificially low figure hecause of a sbarp rise in trade credit associated with the large amount of Value Added Tax collected but not actually paid to Customs and Excise, and Post Office telepbone expenses incurred but not billed.

These items, together amounting to £1.4bn, are likely to have been at least partially reversed in the final three months of last year.

Chrysler rescue runs into trouble with U.S. banks

BY IAN HARGREAVES IN NEW YORK

CHRYSLER, which a month ago won backing from the U.S. Congress for a $3.5bn rescue, has met a serious obstacle with its bankers over their part in the operation.

The prime reason for the banks' resistance to the terms of the rescue is that a syndicate of Japanese banks is once more refusing to put up $240m to finance the flow of imported Mitsubishi cars through Chrysler's dealers in tbe U.S.

It was the withdrawal, temporary as it turned out, of a $400m credit line for the Mitsubishi imports that alerted Chrysler to its problems with its banks last autumn.

Bnt the more serions point for Cbrysler, the third biggest motor company in the U.S., is that after one month of intensive talks with banks it bas failed to make worthwhile progress.

So far negotiations bave heen stuck on requests by the company, backed by the U.S. Government, for relief from interest payments on existing loans of about $2bn. Banks have resisted this as being in effect a gift worth up to $200m for the company.

The more difficult subject of the Administration's reqnest that the banks should put in an additional $650m in new loans has not even been seriously broacbed. Nor has the fact that Chrysler needs $500m in short-term funds to carry it througb the next three months.

"Politicians in Washington think that Chrysler has been saved. They're going to get a big shock wben they realise it hasn't," said one banker yesterday.

Although Chrysler would not comment on the difficulties with its bankers, there are indications that it is not sorry that the Japanese problem is being given an airing in Washington at a time when the powerful United Autoworkers' Union is pressing Congress to draft legislation to force the Japanese to build cars in the U.S. or face tight restrictions on imports.

In dealing with the banks, the Government is stressing that the terms of the Chrysler aid legislation offer great flexibility in the packaging of the Banks' contribution to saving the company, but so far the banks appear to be sticking to their demand for an exact description of the status of their loans and their security before making any offers of assistance.

THE LEX COLUMN

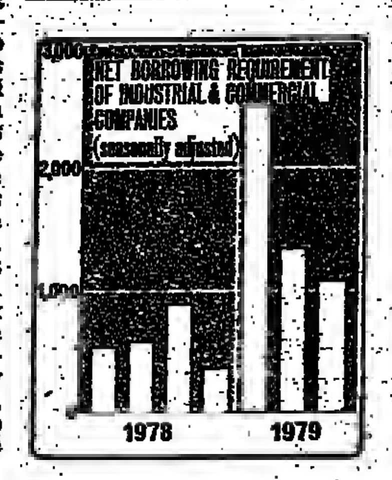
The money squeeze tightens

Despite agonised squeals from the money markst, where huge shnrtages have developed and one-month money is fetching around 18¼ per cent, the gilt-edged bandwagon continued to roll yesterday. The world's casual investment money is still heading for sterling, which on the trade-weighted index shows a gain of 3 per cent on the month so far. Rises among the longs often reached 1¼ points or so, although for a change equities could not stay the pace.

The further big subscriptions for gilts likely this week will perpetuate the money market shortage. There are no more special deposits for the authorities to give back, though they can postpone the repayments, and if necessary enter into temporary gilt-edged purchase agremenets with the banks.

This shortage gives no comfort to hard pressed companies now facing a serions squeeze. It is true that the latest official statistics show some decline in the net borrowing requirement of industrial and commercial companies for July-September 1979. But this takes in a sharply improving trend for North Sea oil producers, and anyway borrowing was mnch higher in October and November.

Index fell 2.1 to 457.7



BOC

Retrenchment is the theme of the latest accounts from BOC International. The group is reappraising large parts of its UK activities with a view to disposals, and is paying special attention to some of the product and service diversification undertaken a decade or so ago. It remains committeed to its "core" husinesses, which consist of gases and associated welding equipment, medical equipment and carbon graphite, and it will probably want to retain other important subsidiaries such as its vacuum engineereing operation. But some of its other activities, like the Sparklets bnsiness, may he a different matter.

BOC has already made two major disposals, Airco's ferro-alloys side and Deloro Stellite, which makes special metals. In addition, factory closures and disposals brougbt extraordinary charges of £4.6m after tax last year. The reason for all this activity is that in the last three years, the group's net cash flow has amounted to around £214m, whereas its spending on fixed assets and working capital has amounted to nearly £350m, excluding acquisitions. Thsre is nothing wrong with tbis in principle—but the pre-interest return on overage csptal taking fixed assets largely at replacement cost) is no more thsn 11¼ per cent. Without sharp management action, even that return could have soon hecome unobtainable, in which case the balance sheet would have started to look distinctly lop-sided.

Ase it is, BOC's gearing fell last year and is expected to decline again in 1980—thanks in part to further disposals and a decision to hold back capital spending on some peripheral activities. Last September net debt represented 42 per cent of (revalued) capital employed, and although BOC is confident that it can meet all its foreseeable needs in 1980 it concedes that this figure is towards the higher end of the range that is considered desirable over the long term.

Alexanders Discount

The share price of Alexanders Discount rose 7p to 212p yesterday, and altogether the shares have risen a tenth since the end of last year in recognition of the surge in the gilt-edged market. It would be wise, however, to cast a veil over most of what happened before December 31: a modest loss at the half-way stage has been followed by something worse in a second half stricken by 17 per cent MLR and the company admits to a loss after tax of £0.25m. To arrive at the much higher true loss it is necessary to add a transfer out of general reserve of £1m and a further secret transfer from the contingency reserve. However, the company is maintaining the net dividend though this is nncovered for the second year running; the yield is 11.4 per cent.

In two years published net worth has fallen from £12m to £9.5m, or 192p a share. Alexanders still retains a significant level of inner reserves, but plainly its capital base has been eroded and this must affect the scale of its business: for the second year running its balance sheet total has fallen though only slightly. Looking on the bright side, however, discount houses are bound to profit from any fall in interest rates, which explains the speculative activity in the shares of the sector at the present time.

Incidentally, Alexanders' balance sheet shows the impact of the acceptance "leak" caused by banks trying to wriggle out of the corset restraints imposed by the Bank of England. The total of bills under rediscount shot up during 1979 from £179m to £520m. Until the October VAT payments UK retailers were big buyers of bank bills; since then, foreigners have apparently taken over, attracted by returns which currently stretch to over 18 per cent on one-month paper.

De-mergering

The Gieves group is taking a refreshing line over the [illegible] it has heen offered by the U.S. company Standex for its subsidiary James Burn Bindings. Rather than re-employing the cash in the business, it is proposing to distribute it direct to shareholders, who will receive 60p per share; yesterday the price rose from 84p to 100p.

The difficulty of such a divestment is that the distribution to the shareholders risks being taxed as income rather than capital repayment. Gieves is getting round this by splitting itself into two and giving shareholders a direct stake in JBB — for which Standex will offer them cash — as well as shares in the rest of the business. Although final clearance from the Inland Revenue has not been received, Gieves is confident that the shareholders' only liability will be to capital gains tax.

The company admits that technical difficulties might make it awkward for a larger group to perform this sort of operation—if only because the holding company is required to put itself into voluntary liquidation. This would be an awesome task in a group of any complexity, where there would be likely to be parent company guarantees for subsidiaries' liabilities.

But the greatest obstacle of all is the natural unwillingness of professional managers to reduce the importance of their johs. It is certainly significant that nearly half the Gieves shares are controlled by the directors, their families and their friends.

BUPA passes 1m mark in record year for health

BY ERIC SHORT

THE THREE major medical insurance companies all reported record new business last year. Membership of the country's largest, British United Provldent Association, rose hy 17.2 per cent to pass the 1m mark.

Private Patients Plan membership went up to over the ¼m, rising 21.2 per cent to 267,000. Western Provident Association membership rose by more tban ooe-third to 60,000.

Much of the growth was due to more employers providing medical insurance as a fringe henefit to staff, and this tendency was occasionally encouraged by trade unions in spite of the official TUC han on joining private medicine schemes.

BUPA's group membership increase of 27 per cent included 40,000 members under an agreemeot with the Electrical Contractors' Association. The gronp membership of PPP advanced 39 per cent to 135,000, including a scheme negotiated with Mitcbell and Butler, the Birmingham-based brewers, with the help of the unions. WPA had a 50 per cent rise to 45.000.

More individuals also took out private medical insurance, reversing the trend of the previous decade, in which the number has steadily declined. The associations have been redesigning their individual contracts to attract a general public disillusioned with the National Health Service.

The membership of BUPA rose two per cent to 340,000, that of PPP by seven per cent to 132,000. WPA grew 8.6 per cent to 14,500.

	Individual membership	increase,	Group membership	increase,	Total membership	increase,
	end-1979	end-1979 %	end-1979	end-1979 %	end-1979	end-1979 %
BUPA	339,895	1.9	660,688	27.1	1,000,583	17.2
PPP	132,429	7.1	134,865	39.3	267,294	21.2
WPA	14,562	8.6	45,450	48.5	60,012	36.4

New BP plan may boost oil flow rates

BY RAY DAFTER, ENERGY EDITOR

BRITISH PETROLEUM is about to announce details of a revolutionary offshore oil production system, which may be used in the development of a big discovery to the west of the Shetland Islands.

The system is based on an oil tanker which also carries its own production facilities. It is heing developed so that BP can exploit poikets of oil too small for economic production using conventional equipment.

In altion the company hopes to use the system, called SWOPS—Single Well Oil Production System—to carry out extended tests in larger, complex reservoirs.

With this in mind BP may use the system to test flow rates in its heavy oil reservoir in block 206/8, 40 miles west of the Sbetlands. Along with other concession bolders in the rear, BP and its partners (Chevron and Imperial Chemical Industries) have idendltified 3.5bn to 4bn barrels of oil in place—about as mncb as lies in the Forties Field.

Unlike the oil in Forties, the thick and sticky crude in the West Shstland find does not flow well and it is thought that ouly 220m barrels could he recovered using conventional methods.

BP hopes to improve this rate by cracking parts of the reservoir with a special liquid injected under pressure. "Propping agents," like tiny ball bearings, will be injected with the liquid to keep open the cracks. In this way BP hopes the oil will flow more freely. The first fracture experimant is expected to take place this summer.

If the experiment is successful, BP may decide to use SWOPS to condnct a prolonged productlon test. A converted tanker would be connected to an ocean bed well structure. Oil would tben be pumoed into the vessel's storage tanks.

When full the tanker would be disconnected from the well and the vessel would take its cargo to a shore terminal. The ship would then return to the field to continue loading.

BP officials say it is possible to instal the well system and convert a tanker for between £25m and £50m. Such a vessel could handle a production rate of up to 20,000 barrels a day.

The company hopes a prototype could be ready for operation by next year. It emphasises two major advantages of SWOPS:

The system could be used to exploit reservoirs containing only a few million barrels of recoverahle reserves—far too small to he exploited commercially with conventional equipment.

When used for testing purposes, the converted tanker could release a drilling rig for more normal exploration activities. Furthermore, oil produced during the test would be availahle for commercial nse.

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Armitage may receive bid

BY CHRISTINE MOIR

ARMITAGE SHANKS, the sanitary ware manufacturer which last year mounted an ultimately unsuccessful attempt to merge with Johnson-Richards Tiles, is itself the target of a possihle hid.

The company asked for its sbares to bs suspsnded yesterday at 55½p after a 6½p jump in the price on Friday. At the suspension price Armitage has a market value of £17.48m.

It appears that the bid aproach has come from a UK company although the biggest sbareholder—which bas been gradually increasing its staks in recent months—is Ceramics Investments BV, a Panamanian sanitary ware manufacturer with a subsidiary registered in the Netherlands.

Only 10 days ago Ceramics announced that its holding bad increased again from 20.1 per cent to 21.14 per cent.

Mergers in tha ceramics industry have frequently come nnder the serutiny of the Monopolies Commission since 1973 wben Glynwed was obliged to withdraw from its offer for Armitage after its £26m bld was referred. In 1975 a major study of the industry revealed that 90 per cent of the UK market for sanitary ware was cootrolled by four companies — Armitage, Doultons (part of S. Pearson and Son), Twyfords (part of Reed International) and the U.S.-backed Ideal-Standard.

Armitage's own agreed bld for Johnson-Richards last year, which was topped by Norcros, centred on the potential future for fitted bathrooms as a natural successor to the popularity of fitted kitchens among householders. Armitage itself met forecast profits for its year to March 1979 of £4.5m—an 84 per cent increase—and since then has shown a 24 per cent jump in tha six months to September to £2.5m, while warning against exaggerated expectations in the second balf.

Weather

UK TODAY

WINDY with rain in [illegible] areas. Snow on high [illegible]

S.E. England, E. [illegible]
E. and W. [illegible]
Cent. S. England, [illegible]
S.W. England [illegible]

Showers but [illegible] developing. [illegible]

E. England, Cent. N. [illegible]
N.E. England

Cloudy with rain. Snow on hills. Max. 5C (41F).

N. Wales, N.W. England, Lake District, S.W. Scotland, N. Ireland

Cloudy with rain and snow. Becoming brighter. Max. 5C

Edinburgh, Dundee, Aberdeen, Glasgow, Cent. [illegible]

Mainly cloudy with [illegible] snow. Max. 5C (41F).

N.E. and N.W. Scotland, [illegible]

Cloudy. Windy [illegible] hills then brighter. [illegible]

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	F	13	55	Lisbon	F	[illegible]	57
Algiers	F	10	61	Locarno	C	5	[illegible]
Amsdm.	R	3	37	London	C	3	38
Athens	S	14	57	Luxmbg.	C	[illegible]	[illegible]
Bahrain	C	19	66	Luxor	S	27	[illegible]
Barclna.	F	13	55	Madrid	C	[illegible]	[illegible]
Beirut	S	16	61	Majorca	S	14	57
Belfast	C	3	37	Malaga	S	16	61
Belgrd.	C	0	32	Malta	R	10	50
Berlin	S	−1	30	M'chstr.	R	[illegible]	45
Biarritz	C	12	54	Melbne.	[illegible]	[illegible]	[illegible]
Bmghm.	R	7	45	Mex. C	[illegible]	[illegible]	[illegible]
Blackpl.	R	6	43	Milan	[illegible]	[illegible]	[illegible]
Bordx.	R	10	50	Montreal	[illegible]	[illegible]	[illegible]
Boulgn.	R	5	41	Munich	[illegible]	[illegible]	[illegible]
Bristol	C	7	45	Nairobi	[illegible]	[illegible]	[illegible]
Brussels	R	5	41	Naples	C	10	[illegible]
Budpst.	C	1	34	Newcstl.	C	[illegible]	[illegible]
B. Aires	S	30	86	N. York	S	[illegible]	27
Cairo	S	19	66	Nice	F	11	[illegible]
Cardiff	C	7	45	Oporto	R	12	54
Cas'b'ca	S	15	59	Oslo	Sn	−1	30
Cape T.	Fg	24	75	Paris	R	5	41
Cologne	C	3	37	Perth	S	32	90
Cpnhgn.	C	−1	30	Prague	C	−2	[illegible]
Corfu	C	10	50	Reykjvk.	S	−3	27
Dublin	R	5	41	Rhodes	C	13	55
Dbrvnk.	C	11	52	Rio J'o	C	28	[illegible]
Ednbgh.	Sl	3	37	Rome	C	11	[illegible]
Faro	C	15	59	Salzbrg.	S	−2	[illegible]
Frankft.	C	−1	30	Singapr.	C	30	86
Funchal	F	18	64	Stkhm.	Sn	−1	[illegible]
Geneva	C	2	36	Strasbg.	Fg	−2	[illegible]
Gibrltr.	S	15	59	Sydney	S	23	[illegible]
Glasgow	R	3	37	Tehran	R	[illegible]	[illegible]
G'rnsey	F	8	46	Tel Aviv	[illegible]	[illegible]	[illegible]
Helsinki	C	−7	19	Toronto	S	[illegible]	[illegible]
H. Kong	C	15	59	Tunis	[illegible]	[illegible]	[illegible]
Innsbrk.	S	−1	30	Valencia	[illegible]	[illegible]	[illegible]
Invrnss.	C	2	36	Venice	C	[illegible]	[illegible]
Istanbul	R	6	43	Vienna	F	−1	30
Jersey	F	7	45	Warsaw	C	−3	[illegible]
Jo'burg	S	23	73	Zurich	C	−3	28
L. Plms.	C	19	66				

C—Cloudy. F—Fair. Fg—Fog. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow.

BOC International's £162,500 handshake

BY JOHN MAKINSON

BOC INTERNATIONAL has given Mr. John Williams, its former chief operating officer, a golden handshake of £162,500, one of the biggest ever. Mr. Williams, 53, retired last year because of poor bealth.

In addition to this payment the accounts show, directors' emoluments almost doubled to £872,300 in 1979 from £441,900 the previous year.

BOC said that this was because two executives of overseas subsidiaries, Mr. Richard Giordano and Mr. Jim Davidson, joined the main board last year, and payments to them by overseas subsidiaries were included in their emoluments.

Mr. Giordano, who is now group managing director and chief executive of BOC International, is sbown as the group's highest-paid worker.

Although high, the BOC payment to Mr. Williams is not a record.

Mr. Eric Morley received £200,000 when he left the board of Grand Metropolitan in October 1978. Mr. Morley, recently teamed np in a gaming venture with Mr. Laurie Marsh, himself paid £125,000 on his departure from Associated Communications last year.

Commenting on Mr. Williams's departure, Sir Leslie Smith, BOC chairman, says in his statement: "John was taken seriously ill in January 1979, and after several months' anxious debate it was mutually agreed that he should retire.

"I am happy to report that he is now mnch improved in health."

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Rolls-Royce raises £140m bank loans

BY ANDREW FISHER

ROLLS-ROYCE is to borrow £140m in two loans from a group of British, U.S. and Canadian banks in the first stage of a major financing programme designed to support its heavy order books.

Tha state-owned aerospace company won more than £1bn worth of orders last year and currently bas firm orders worth around £2bn, the main element being its large RB-211 jet angines.

It bas completed arrangements to raise 10-year loans of £75m, with an option to convert to dollars, and $150m (£65m) from a syndicate of hanks led by National Westminster Bank.

Rolls-Royce is not releasing details of the loans' conditions hut says they have heen concluded at floating rates geared to the Loodon interbank offered rate (LIBOR) oo normal commercial terms.

The two loans are unsecured, but the British Government bas made it clear several times in the past decade that it would assure financial support for the company, which was nationalised in 1971.

The loans will form s major part of the £400m which Rolls-Royce has estimated as its likely cash needs for the immediate future to cover new projects and to finance increased stocks and work-in-progress.

Around half of this is to come from loans negotiated lo the City—further funds could be agreed later this year—with the other £200m heing provided hy the Governmeot directly or through a rise in Rolls-Royce's equity capital. About £30m of this has already been allocated.

The other banks in the syndicate providing the latest loans are Barclays, Grindlays, Standard Chartered, Bank of Scotland, Bank of America, Chase Manhattan, Cbemical Bank, Citibank, First National Bank of Boston, Bank of Montreal and Bank of Nova Scotia.

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